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BANKERS *Monthly*



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Sir William Pepperrell
at the battle of Louisburg

Sir William was proud of his success and cut a fine figure as he rode about in his coach attended by footmen and outriders, but his overwhelming ambition to have his name perpetuated failed of fulfilment. Of his four children, Andrew, the only son to reach maturity, was engaged to Hannah Waldo but postponed the marriage date several times presumably because of ill health. When the wedding day finally arrived, in the presence of the assembled guests, the bride called off the ceremony because of

the mortification she had been caused. The grief-stricken Andrew died shortly thereafter.

After Sir William's death in 1759 the property passed to his daughter's son William Sparhawk on condition that he take the name Pepperrell. As he was a Loyalist he fled to England when the Revolution broke out.

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Credit Control Is a Continuing Responsibility of Bank Management

By JOSEPH M. DODGE*
President, The Detroit Bank
Detroit, Mich.

IN EVERY RISE OR FALL of the business cycle, the banks are blamed for extending either too much or too little credit and become the focus of public and political attention.

In any period of inflation, regardless of its source or cause, expanding bank loans are a target of criticism. Government, which may have been the principal source of the inflation, directs attention to the expanding total of bank loans as a primary cause. Any actual credit abuses or excesses are magnified and the need for more bank credit to facilitate the carrying of inflation priced inventories and payrolls receives little acknowledgement.

If banks lend too freely and unwisely during a period of mounting prosperity, regardless of its cause, when the boom has run its course and prices and activities turn downward, banks can contribute to the decline by forcing liquidation of the good credits with the bad credits.

In these over-simplified terms, it is apparent that banks can magnify an excessively optimistic or excessively pessimistic trend because of the vital part their credit function plays in the mechanism of the economy.

One of the principal contributions of the banking business toward the economic and financial health of the nation is to so conduct itself that it avoids the extremes which can be embarrassing to banks, depositors, and borrowers alike. The multiplication of the acts of 15,000 banks in the field of credit does have a fundamental effect on the health of the economy. Sound banking and sound business go hand in



JOSEPH M. DODGE

hand. It is essential for both banks and borrowers not to be over-extended if our national stability is to be maintained. The nation can withstand many minor economic illnesses, provided the banks are not sick at the same time.

We are living in an era of national and international uncertainty. One of the greatest problems of today is the rapidity of change. More and more often the unexpected happens. Sound principles are more necessary than ever because of the variables affecting every form of commercial and financial activity.

By their very nature, banks must be the instrument that provides protection and preserves stability because only through their perma-

FROM WHERE WE SIT

Following a recently established custom, we are again presenting to the readers of an A.B.A. Convention issue, a guest editorial containing a timely and vital message. We are deeply grateful to Mr. Dodge for providing the editorial, and bespeak for it the careful reading which it richly deserves.

J. H. PETERS, Editor

nence can the other economic changes proceed without a general disaster.

As key factors in the economic stability of the country, banks have two obligations: one is to understand thoroughly the implications and effects of the sum of their acts in the field of credit; and the other is to so implement a sound credit policy, conceived in the interests of the nation, that the sum of these acts continues to be soundly constructive and does not contain destructive elements.

In December 1947 the American Bankers Association organized and put into operation a Voluntary Credit Restraint Program. This program received the public approval of the President of the United States, the Secretary of the Treasury, and leaders of both Houses of Congress. However, at that time it only pertained to banks. Unquestionably it helped avoid special legislation limiting the lending activities of banks.

When inflationary pressures again became severe in 1950, this type of action was formalized under a Voluntary Credit Restraint Program, provided for under Section 708 of the Defense Production Act of 1950, and implemented by the Federal Reserve Board.

No banker should assume that the principles underlying it can be disregarded because the formal program and the nationwide organization which carried it into effect have been discontinued. The principles are as valid today as when the regulations and recommendations were in effect.

Any examination of banking history in the United States will clearly show the cost of past failures in credit administration. And the point to remember is that in the future the penalties for similar failures can be much more serious. With the present trend of centralization, government needs little excuse to legislate new forms of control over bank credit.

*Past president, The Michigan Bankers Assn., The American Bankers Assn., and The Association of Reserve City Bankers.

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BANKERS MONTHLY

Three Centuries of Money, Men and Banks



AN annual convention of so important an organization as the American Bankers Association rarely, if ever, fails to suggest an anniversary. And by the same token, an anniversary seldom fails to recall the past. We are reminded on such occasions that this America of ours is not the result of a rigidly predetermined system but an organic structure, a product of growth.

And so it is that BANKERS MONTHLY again adopts an historical motif for an ABA Convention issue. If the story, "Three Centuries of Money, Men and Banks" serves to reaffirm the fact that the American society has always been one in which men and institutions achieve stature and influence by their own efforts, it will have served the purpose for which it was written.

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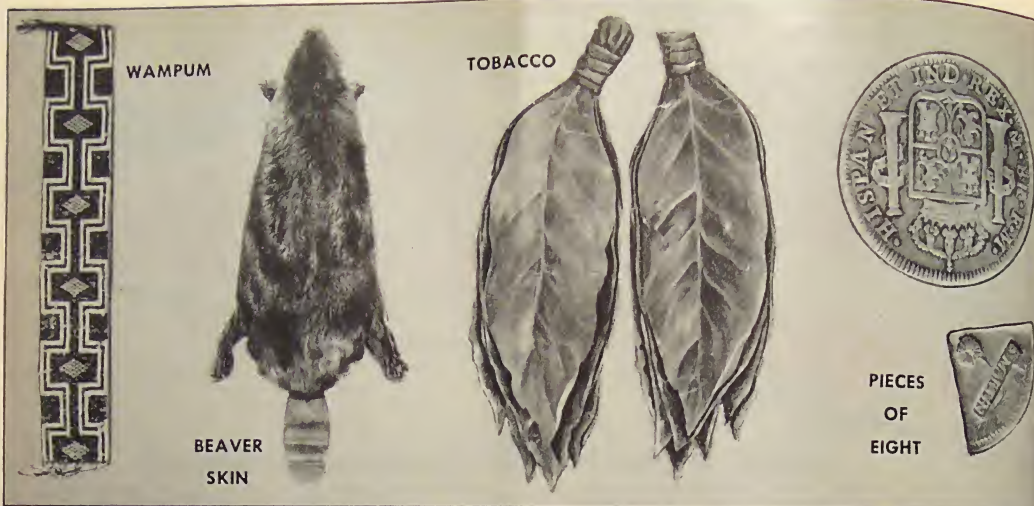
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Chicago Natural History Museum

This year's convention of the American Bankers Association, its seventy-eighth annual meeting, coincides pretty closely with another event of historic significance—the issuance three hundred years ago of the Pine Tree shilling, first official coin to be minted in any of the North American colonies.

The birth of this truly American currency in 1652 was to serve as a tremendously important precedent. Perhaps few colonial leaders realized it at the time, but the decision to mint a coin of their own was, in effect, the first groping step toward American sovereignty.

If he could have foreseen it, any colonial businessman would have been shocked at the modern American's easy familiarity with money. There was so little hard cash in the colonies in the first half of the 17th Century that anything in fairly good supply and reasonably stable in value was used as a medium of exchange. During much of that period wampum, beaver skins and tobacco were the major currencies of domestic trade.

American Indians along the Atlantic Coast had been making wampum uncounted centuries before the white man came to that segment of the New World. The hard-shelled mollusks common to coastal water were plentiful. Bits of shell were laboriously ground into beads which were then

drilled through the center so that they could be strung on thongs and worked into ornaments. To the hard-pressed colonists who had little silver or gold, these beads offered a convenient medium of exchange; they were easy to handle and to count. Wampum, sometimes called "wampampege" or just "peage," was officially recognized as money by the General Court of Massachusetts in 1637, when it was decreed that the medium should pass at six beads to the penny for any sum under 12d.

Wampum Unpopular In England

The use of wampum persisted in many areas for several generations, but the popularity of this medium abroad was relatively short-lived. Traders in England and elsewhere soon became suspicious of it; they much preferred to exchange their manufactured goods for beaver skins and tobacco, commodities for which there was a constant market at home. It isn't surprising, in the circumstances, that beaver skins and tobacco quickly became more popular than the

Indians' blue and white beads.

Tobacco emerged the winner in the popularity contest between itself and beaver skins. In Virginia and elsewhere, the dried leaves of this plant became such a staple product that rents and wages were paid in it, at a rate of two or more English shillings per pound. Mine hosts in colonial taverns and inns preferred tobacco to most of the many foreign coins then in circulation; they could keep track of what tobacco would bring in the way of manufactured imports from the mother country or from Spain and the Netherlands, which was more than they could say of gold, silver or copper money.

How widespread the use of tobacco became may be gathered from the fact that for the eight years from 1641 to 1649 no debts contracted to be paid in coin could be sued for in a colonial court of law. Estates of the period were generally valued in coin, but when they were sold it was for tobacco. Even the salaries of public office holders, although nominally set in

BANKERS MONTHLY

Beads, Skins, Tobacco "Coins" of Early America

By WILBUR J. BRONS
Associate Editor

PINE TREE

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PINE TREE SHILLING



PAPER MONEY (State Issue)



COINS
(State Issue)



COINS
(First Federal)

Chase National Bank Museum of Monies of the World

Coins of Early American Trade

English shillings and pounds, were actually paid in tobacco.

This state of affairs was not entirely of the colonists' making. For many years, little or no specie was available. England had prohibited the export of gold and was to maintain that prohibition until 1696. The gold and virgin silver that came to the colonies through trade with the Spanish West Indies was insufficient for their growing needs. Inflow of these metals was sporadic at best and when New England trading ships and privateersmen brought gold and silver money to the colonies, the coins invariably were so worn and clipped as to be worth only a fraction of their original value.

When the middle years of the 17th Century rolled around, traders and merchants of the North American Colonies were desperately in need of a practical means of paying their debts and buying their wares. Repeated pleas to England brought no relief; the mother country was steeped in its own political and fiscal problems, most of them so pressing that helping the colonies with hard money

was out of the question.

Because of the diversified nature of its economy, the Massachusetts Bay Colony was particularly hard hit by the scarcity of money. Naturally

enough, then, it was the first of the colonies to take matters into its own hands. In 1652, the Massachusetts General Court authorized the establishment of a mint to be located in Boston. Shortly thereafter a contract to make coins was awarded to John Hull, silversmith, and Robert Sander- son, an associate of Hull's own choosing. The two men set up their mint and began operations on May 27, 1652.

Under the law, any person had the right to bring silver bullion, plate or

The Bettmann Archive, N.Y.





The Bettmann Archive, N.Y.
An old time counting room. From a drawing, 1872.

Spanish coin to the Boston mint house and receive in return Pine Tree shillings or their fractional parts—usually twelvence, sixpence and threepence pieces. Precisely what Hull and Sanderson retained by way of seigniorage is not of record, but the terms of their second contract in 1675 stipulated that they should receive twelve pence for every twenty shillings minted, plus an allowance of three pence as waste against every three ounces of sterling silver minted.

It was intended at first to have the coins square in order to minimize clipping or washing. The round form was finally decided upon, however; and a double ring on either side of the coin was adopted as a reasonably good means of discouraging clippers. Within the double ring on one side was to have been the single word "Massachusetts," and in the center the Pine Tree from which the pieces took their name. Hull and Sanderson had no difficulty with the tree design but "Massachusetts" came out "Massathusetts," which didn't quite fill the ring. The minters solved that problem by inserting the word "In" before the name of the colony.

With the double ring on the other side of the coin were the words "New England" and in the center was the date, 1652. In his *Epochs in Ameri-*

can Banking, Noble Foster Hoggson observes that all subsequent Pine Tree shillings and their fractions were also dated 1652. Hoggson's assumption, which seems reasonable enough, is that Hull was a thrifty soul who saw no good reason for making new dies every year merely to date a coin.

We have said that production of this fledgling money three hundred years ago in Boston marked the beginning of a subtle change in the attitude of the colonies toward England. Not all historians are in complete agreement on this point, however. Some researchers have stated that the colonists and their leaders probably did not realize they were usurping a royal prerogative by minting their own coins of commence, the implication being that if they *had* realized it the step would not have been taken.

Actually, this assumption of colonial innocence doesn't square too well with the known facts. It's true enough, of course, that the mint was established during Cromwell's dictatorship and that Cromwell was friendly to the New Englanders. And it's also true that colonial authorities apologized for the slight to the crown, pleading the urgency of their need. Nevertheless when a royal commission subsequently visited Massachusetts and demanded that the law authorizing the mint be

repealed, the General Court pointedly ignored the demand.

The Crown Takes Offense

It is recorded that Charles II and his Privy Councillors were affronted when they discovered the existence of the Pine Tree shilling. The monarch was temporarily placated when he was told by a colonial emissary that the pine tree on the new coin was in reality the royal oak of England. Actually, the tree was intended to symbolize the tall, straight masts of the New England trading ships, and every colonist—man and boy—knew it.

The Boston mint was finally closed in 1686, when the weight of English disapproval became too heavy for colonial authorities to bear. Historians believe there is a connection between the closing and the political activities of John Dudley. Sent to England as an agent of the Massachusetts General Court, Dudley returned as president of the King's Council for Massachusetts Bay, New Hampshire, Maine and Rhode Island. This new assertion of royal authority probably was the straw that broke the camel's back of colonial determination so far as the mint itself was concerned. Nevertheless, having asserted a measure of sovereignty over their own affairs, the colonies were never again to yield completely to the crown.

Paper Replaces Specie

This new spirit of autonomy was again apparent a few years later when the soldiers of Massachusetts returned from an unsuccessful expedition against the French in Canada. With the mint closed, there was no hard money with which to pay these men. An act was passed levying £40,000 for the purpose, but the soldiers were rebellious and would not wait until the money could be brought into the treasury by taxation. *The result of this dilemma was the first official paper money issued by a colonial government.*

These notes of credit, issued in denominations from two shillings to ten pounds, were receivable for taxes and for goods paid into the Massachusetts treasury in lieu of taxes. But the soldiers to whom the paper money was given found spending it a chore; the notes would not command money, nor

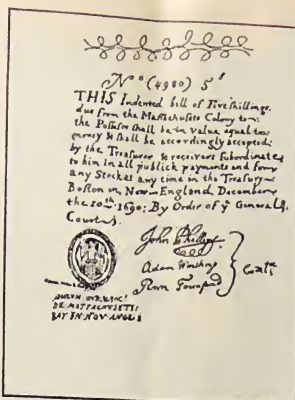
commodities at money prices. When the soldiers were able to get more than twelve shillings to the pound, they counted themselves lucky. In his *History of American Currency*, published in 1896, William G. Sumner relates that during much of the period when these notes were in circulation, merchants asked their customers how they would pay before setting prices on their merchandise: customers offering Spanish or New England coin received the best prices; those who offered the new currency were quoted prices which cut the purchasing power of their money by about a third, and those who bought on credit paid the highest prices.

The Bank of England was established in 1694, and two years later the mother country again permitted free exportation of gold and silver bullion. But the colonists of Massachusetts were convinced by this time that paper bills would carry them over any emergency. As new issues were circulated, with only the colony's credit behind them, paper shillings declined steadily in value. Despite the experience of the Bay Colony, however, other colonies followed her lead—usually with the same result. Rhode Island, for example, tried nine paper issues in a period of about thirty-five years and each issue dropped ultimately to about a tenth of its face value.

Significantly enough, in the light of what we know about government credit today, Pennsylvania was more successful with her early loans. Bills were issued in amounts not exceeding \$200 in value to any one person and these were based on real estate of at last twice that value, plus the government's promise to pay in twelve annual installments with 5 per cent interest.

Franklin Defends Paper Money

Benjamin Franklin lent the weight of his support to the Pennsylvania bills in his first political pamphlet, *A Modest Inquiry into the Nature and Necessity of Paper Currency*. Just about the time the Franklin pamphlet was printed, Louisbourg was captured from the French and the English parliament promised to reimburse Massachusetts for the expense of the military expedition. The paper shilling of the colony had dropped in value to about two cents and Governor Hutchinson promptly put Massa-



First Paper Money in the Colonies, Massachusetts, 1690, in the collection of the American Antiquarian Society, Worcester. (Reproduced from *THE PAGEANT OF AMERICA*, ICA. Copyright Yale University Press.)

chusetts back on a hard money basis. It was the first step in a brief, pre-revolutionary return to solvency; and when its favorable results were noted in England, Parliament forbade further issuance of paper money in New England. In 1764 the ban was extended to all the colonies.

Franklin immediately wrote another pamphlet in which he defended the provincial paper money system. Later, he listed the prohibition of paper money issues as one of the causes leading to the detachment of the colonies from the mother country. He was right, of course. It was Parliament's custom to determine such matters for the colonies without consulting them in any way. Resentment over this custom became, in time, the revolutionary resentment against tax-

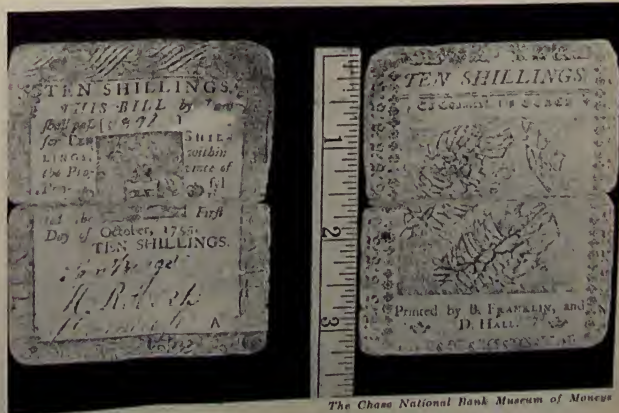
ation without representation. The Boston Tea Party was not far off.

Americans of the atomic age are accustomed to look upon the dollar as an American institution. For all practical purposes, as the rest of the world well knows, it is precisely that. Actually, however, the unit we know so well today was of Spanish origin. The Spanish unit and its fractional parts, the real, the medio or half-real, the bit, etc., were in great demand in colonial days. The colonists were familiar with many kinds of coined money, silver, copper, lead and tin; but it was gold they valued most—and Spain and its possessions were at that time the major source of the world's supply of the precious yellow metal. Moreover, colonial trading vessels called frequently at ports in the Spanish West Indies where gold was available to them in return for merchandise. When England prohibited gold exports to the colonies, Massachusetts, Virginia and Connecticut passed laws making Spanish coins legal tender.

Federal Mint Authorized

It was only natural, in the circumstances, that when a national coinage was under consideration the dollar should be the unit most frequently mentioned. The resolution of June 22, 1775, which authorized the first issue of Continental paper money, specified that the notes should be payable in Spanish milled dollars or the value thereof in gold or silver.

The Articles of Confederation, adopted July 9, 1778 provided that

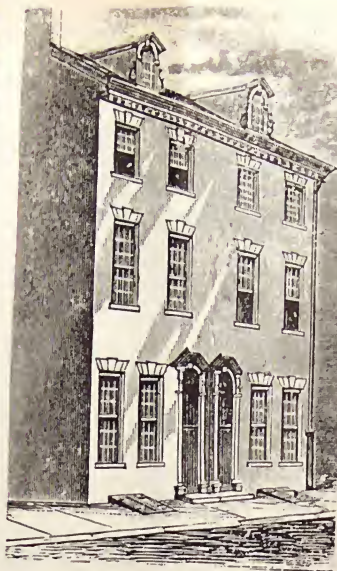


The Chase National Bank Museum of Money
Ten shilling colonial note circulated in Pennsylvania in 1755.

Congress should have the sole right to regulate the alloy content and the value of coins struck by the various states. But it was not until the Constitutional Convention had placed the new nation on fairly firm ground that Congress again turned its attention to a national system of currency. On March 3rd, 1791, the Congress authorized a federal mint and instructed President Washington to engage artists and procure machinery for the making of coins. On April 2nd, 1792, a bill was enacted providing that "the money of account of the United States should be expressed in dollars or units, dimes or tenths, cents or hundredths and milles or thousandths; a dime being the tenth part of a dollar, a cent the hundredth part of a dollar, a mille the thousandth part of a dollar. . ."

Denominations specified in that legislation were the gold eagle, gold half-eagle, gold quarter-eagle, silver dollar, silver half-dollar, silver dime (dime), silver half-dime, copper cent and copper half-cent. The law also provided for free coinage of gold and silver coins at the fixed ratio of 15 to 1. Under this system no charge was made for converting gold or silver bullion into coins, "weight for weight." The depositor could, however, demand an immediate exchange of coins for his bullion and for this privilege there was a charge of one-half of 1 per cent.

The first mint building was ready for occupancy in July, 1792. It was located on Seventh Street near Arch,



First building used by the Philadelphia Mint.
(The Chase National Bank Museum of Money)

in Philadelphia and the first coin minted there was the half-dime. President Washington supplied some of his own silver plate for some of the coins, but the first big depositor was the Bank of Maryland which sent about \$80,000 in French coins to be made into the new federal money. Moses Brown, a Boston merchant, is said to have made the first deposit of gold bullion, amounting to about \$2,200.

The silver half-dollar soon became the most popular coin for large transactions, bank reserves and foreign payments. This situation prevailed

until about 1830, when a Senate committee investigated and reported that half-dollars were considered as bullion and were "lost to the community as coins." Also about this time, gold was coming to the mint from mines in Georgia and North Carolina. Branches of the federal mint were later established in Dahlonega, Ga., and Charlotte, N. C., to handle this newly-mined gold at the source.

Need Of Coins Exceeds Output

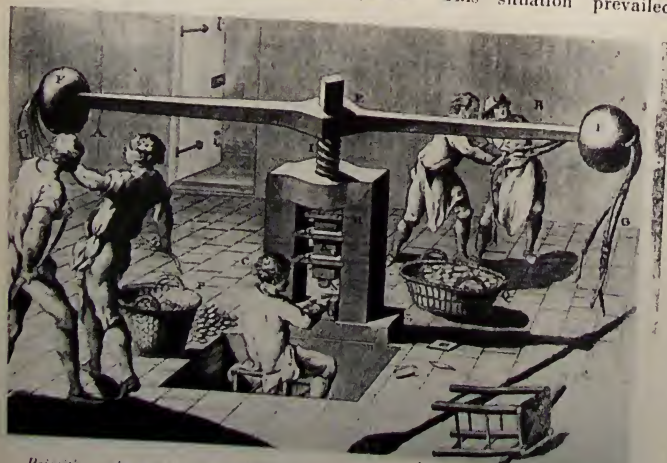
Coinage was a long time catching up with the nation's need of money. Total output of the Philadelphia mint in the first eight years amounted to \$2,531,000 and the minting had cost approximately \$200,000. Even if it had all remained in the country, which it did not, the money minted in those first eight years came to only a half-dollar per capita. From 1801 to 1810, total coinage amounted to little more than \$1.30 per capita and by 1820 it was only \$18,833,000, or approximately \$2 per capita.

With the War of 1812 came a heavy demand for specie for foreign payments. Banks along the Atlantic seaboard suspended specie payments and early in 1813 western banks followed suit, putting the entire country on a paper basis. Even after the war ended, banks were not too enthusiastic about resuming specie payments and several states enacted laws forcing them to do so.

From about 1833 on, the future of the United States mint was regarded as secure. Nevertheless, the country was not yet finished with privately minted money. Gold was to be discovered in California and with the discovery some of the money difficulties experienced by colonial Americans were to be repeated.

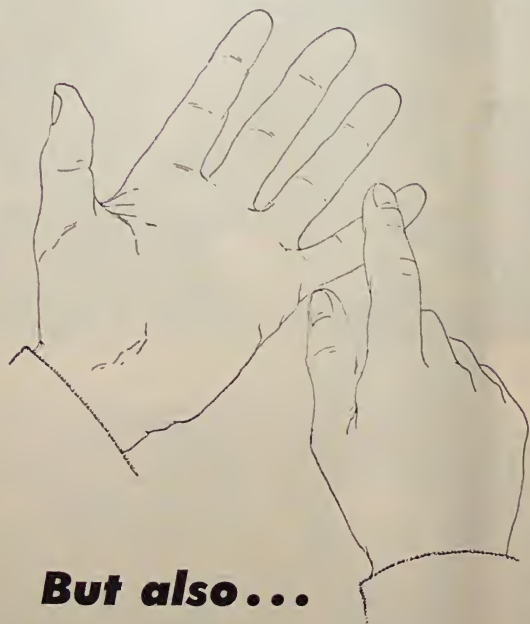
The trip to California from the East was a long, arduous migration and few were the souls who would venture it for other than economic reasons. It was a perilous sea journey around Cape Horn. Shortening the trek by crossing the Isthmus meant fever and pestilence. The overland trail meant the courage to brave floods, blizzards, hazardous mountain passes and roving bands of hostile Indians. But when the news of the 1849 discovery of gold found its slow way back East, the rush began.

California diggings were producing yellow metal in unprecedented quan-



Primitive coin presses were the minter's only machinery in the 18th Century.
The Nettmann Archive, N.Y.

Count on Continental Illinois National Bank

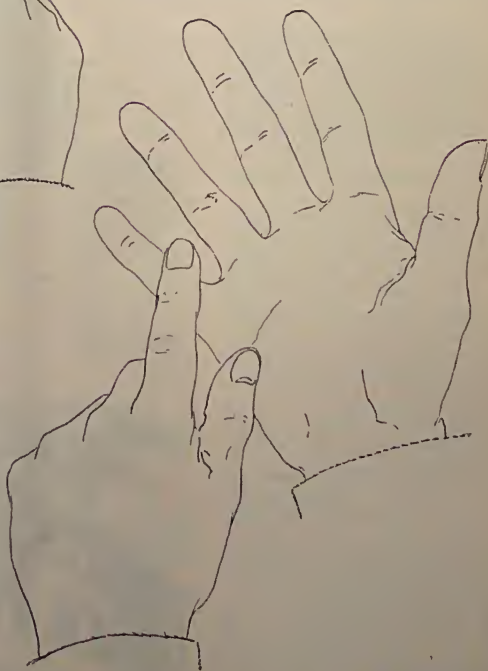


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conventional or unconventional
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Placer mining in the early days of the California Gold Rush.

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titles yet one of the first difficulties the influx of gold seekers encountered was a shortage of money. The only United States mint was thousands of miles away to the East. Coins from all over the world were circulated and gold itself was freely used as currency.

Yellow Metal At \$16 An Ounce

Historians report that the original trading value of gold dust was \$8 an ounce. The miners themselves had other ideas, however, and eventually took the law into their own hands. A formal meeting of miners decreed that gold should be valued at \$16 an ounce. Scales were set up in bars, saloons and dance halls and merchants were forced to follow suit.

The yellow dust began to pile up so fast that it could no longer be handled in such a primitive way. There was urgent need of depositories in which it could be placed for safe-keeping and drawn against when the need arose for payments of one kind or another. Within a year after the discovery four private companies were taking in gold dust at \$15.50 an ounce and silver at \$14.50 an ounce, making payments in token coins. Within two years, there were fourteen such private mints.

These privately minted coins were usually gold with a small percentage of silver. An 1849 \$5 piece issued by the Oregon Exchange Company bore the device of a beaver and was worth

about \$4.32. A \$10 gold piece worth \$9.97 was minted by Moffatt and Company. The \$10 piece issued by the Pacific Company contained only \$7.86 in gold.

Establishment of a United States mint in San Francisco put an end to the private minting of money in California but the practice continued for many years in some parts of the West. Private coinage was discontinued in Mormon Territory and in Colorado only when United States gold and silver coins began to come to the West in increasing quantities. The single

system of coinage was henceforth to be interrupted only by the conflict between the states, during which time the Confederate States of America set up their own monetary system.

The first phase of this 300-year pageant of money, men and banks ends quite naturally at this point. Up to the period immediately preceding the secession emphasis in commerce and trade was almost entirely on hard money. Widespread use of currency was still to come and with it many growing pains of varying intensity and duration. In the United States of 1952 we use coins and paper currency only for small payments. We have developed new symbols or tokens for money itself—checks drawn on our bank accounts. Business transactions have been simplified to the point where obligations can be satisfied and commitments discharged merely by the exchange of relatively small pieces of paper. But that's another story—one in which men and institutions figure more largely than specie money.



Wells Fargo Bank History Room
Front view of the first San Francisco Branch Mint.

Money in circulation outside the Treasury and Federal Reserve Banks on May 31, 1952

(In millions of dollars*)

Coin	\$ 1,665
Currency	27,102
Total	\$28,767

Federal Reserve Bulletin

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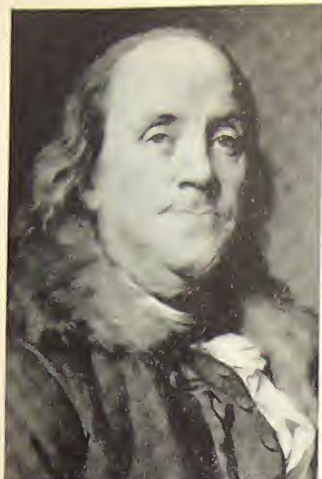


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BENJAMIN FRANKLIN



Continental Congress 2 July 1776. Harrison of Virginia reads the independence resolution

It is next to impossible to separate the economic affairs of an era from its major public problems. Sit down to a few hours' research on the first subject and almost immediately you are involved in the second. Inevitably, then, a story about money soon becomes a story about men and their social and political institutions.

The circumstances that led to the minting of the Pine Tree shilling three hundred years ago provide no exception to this rule. More than anything else, the American colonists of the early 17th Century wanted to expand their trade and improve their standard of living. They were continually handicapped in this desire by a meager supply of domestic money and foreign exchange. They sought to overcome these handicaps by various experiments ranging from commodity money to private and governmental issues of currency. And in due course, they came to the conclusion that complete self-government, which meant the right to lay taxes and spend public moneys, was the most important ingredient of any program designed to solve their problems.

There were, as we have seen, three sources of specie for the New England colonies. With only a limited amount of coin coming from the mother country, the bulk of the supply came from trade with the West Indies and from

the booty of privateers who spent their loot in the colonies. The inflow from these sources was spotty and irregular, and most of the coins were clipped and worn. Then, too, there were many counterfeits.

Massachusetts seems to have taken the lead in attempts to relieve the situation. The General Court of the Bay Colony, in authorizing the first official mint in 1652, brought into the picture a silversmith named John Hull—first colonial mintmaster to operate with the full sanction of domestic authority behind him. Hull agreed to mint whatever silver bullion was offered to him and chose as his partner in the enterprise one Robert Sanderson.

Massachusetts Takes The Lead

So far as anyone has been able to discover, Hull and Sanderson left no record of the number of Pine Tree shillings turned out in their Boston mint. Historians are agreed, however, that the coins immediately became acceptable for purchases abroad and in most of the other colonies—so much so, in fact, that in 1654 it was forbidden to export these shillings. When Hull died, a well-to-do man, Sanderson carried on with the consent of the Mas-

sachusetts General Court. The Boston mint continued for some thirty years before England was able to bring enough pressure to bear to have it closed down.

The next great experiment in American sovereignty was the issuance of paper money—bills of credit which were a cross between short-term notes issued in anticipation of taxes and outright fiat money. Massachusetts began the process in order to pay her returning soldiers when one of her various expeditions against the French in Canada collapsed. The other colonies promptly followed her lead.

Benjamin Franklin was one of the most ardent and vocal advocates of paper money, perhaps because the experience of Pennsylvania with bills was considerably more favorable than that of the other colonies. The Pennsylvania paper currency was issued in amounts not exceeding \$200 in value to any one individual; the bills were based on real estate of at least twice that value and backed with a promise to pay in twelve yearly installments with 5 per cent interest.

Franklin's first political pamphlet, *A Modest Inquiry into the Nature and*

Money, Men Mould the Future of



Chicago Historical Society Photos
 "Independence resolved, that these United Colonies are, and of right ought to be, free and independent States."

The Future of a Nation

The Boston
 thirty years
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Necessity of Paper Currency, earned him another "first." He relates in his autobiography that his friends in the House of the Pennsylvania legislature, in recognition of his publicity services in behalf of their paper money resolution, gave him the job of printing the money. Even after Massachusetts had abandoned paper money for a time and had gone back to specie, Franklin remained obdurate. He wrote his *Vindication of the Provincial Paper Money System* and continued to advance his theories wherever and whenever opportunity presented.

It was this same Pennsylvania currency which Thomas Paine contributed in the sum of \$500 to what he hoped would snow-ball into a general subscription to aid in prosecuting the War of Independence. The subscription did not become general, but it did raise £400 in specie and £103,630 in Continental currency. And it was the same Pennsylvania currency which provided most of the funds with which the Bank of Pennsylvania was started in Philadelphia—the institution which did much to feed Washington's hard-pressed army.

In the Winter of 1780-81, the Continental cause looked as hopeless as

any such cause had ever appeared. This was less for want of military strength and capacity for direction in the field than for the financial means of making these assets effective. The value of paper currency had declined to the point at which it wasn't worth much more than the cost of printing it. The Treasury was empty and credit was gone. Men began to search for a genius to put the fiscal affairs of the nation in order.

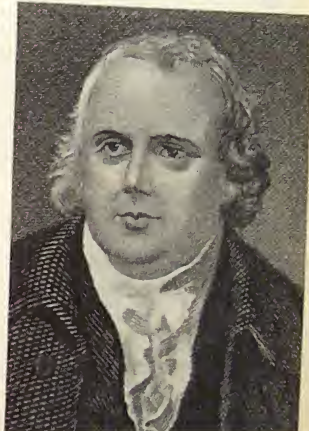
Robert Morris Takes Over

The choice finally converged upon Robert Morris, a partner in the prominent mercantile house of Willing, Morris & Company, importers of British manufactures and exporters of American goods. Morris had attracted public attention when in 1765 he had served on a committee to prevent the Philadelphia collector of the English stamp tax from performing his function. His business ability had been put to good use in 1775 when he became a member of a secret committee charged with procuring munitions of war. In March of the following year he was named to a committee to consider fortifying one or more seaports.

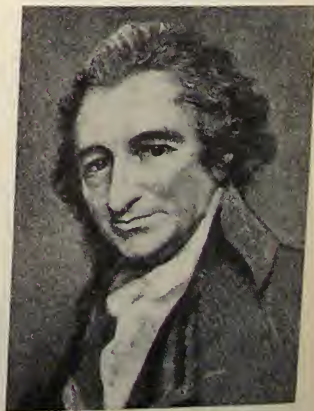
In 1781, after it had been strongly urged to action by Alexander Hamilton and others, the Continental Congress voted unanimously to make Robert Morris superintendent of fi-



ALEXANDER HAMILTON



ROBERT MORRIS



THOMAS PAINE



Chicago Historical Society

President Washington meets with members of the first cabinet: left to right, Henry Knox, Thomas Jefferson, Edmund Randolph and Alexander Hamilton.

nance. Morris took office with a definite program, including federal taxes laid in specie to be used in paying interest on the public debt; requisitions from the states to be used in carrying on the war; a possible loan from France, and, last but by no means least, rigid economy in government itself. It is interesting to observe, in connection with the last-named objective, that Morris immediately began to make enemies. He abolished the system of regimental commissaries and began himself to buy the army's supplies. He made himself immensely unpopular with the medical department of the army by investigating alleged extravagance in hospitals. He called for strict accounting by the states in the matter of their financial operations in Europe and he set up a vigorous, orderly civil administration.

During all this period, however, the new nation's superintendent of finance was being driven to steps which to his critics seemed nothing less than trickery. One such step which his political opponents cried out against was establishment of the Bank of North America. Remembering the

value of the Bank of Pennsylvania, Morris persuaded Congress to create a new institution which the superintendent of finance thought of as the "principal pillar of American credit." A timely loan of \$200,000 in specie, brought by the French fleet, helped supply the bank's capital and Morris himself was among the heaviest subscribers. From this bank he was able to borrow heavily on behalf of the government.

Federalism In Danger

It can be said of Robert Morris that he placed the public credit as high as it could be placed under the circumstances. No one knew better than he the danger to the new nation if it remained a mere league of states which could, and did, reject most demands upon their resources. Neither Washington nor John Adams understood better than Robert Morris the futility of direct democracy without "checks and balances." Morris sat in the convention at Philadelphia in 1787 which framed the Constitution of the United States and although he took little part in the debates or committee work, he

lent the weight of his opinion to the Federalist cause.

When Alexander Hamilton became the first secretary of the treasury, a post which Robert Morris had previously declined, the financial affairs of the central government had plummeted once more to a dismal state. No interest had been paid on foreign loans for years and new emissions of paper money and partial repudiation of public debt had demoralized public confidence. Although he had no practical experience with the management of public finance, Hamilton had long since demonstrated the swift, incisive character of his mind. Commissioned on September 11, 1789, he was ready with recommendations when Congress met on January 4, 1790. He had hoped to present these in person and was bitterly disappointed when the House of Representatives, yielding to the influence of Madison and Jefferson, insisted that the report be presented in writing.

Hamilton Urges A National Bank

In his report Hamilton recommended establishment of a national bank, which he regarded as a necessary step in restoring public credit. He said the principal advantages of such a bank would be "the augmentation of the active or productive capital of a country . . . greater facility to the government in obtaining pecuniary aids," and "the facilitating of the payment of taxes . . ." Not only did the report discuss these advantages in great detail but it also replied at considerable length to most of the objections Hamilton knew would be raised by his political opponents.

When the bill creating the Bank of the United States was laid before President Washington, he hesitated to sign it and asked Jefferson, Randolph and Hamilton to submit their opinions to him. Randolph, then attorney general, and Jefferson, secretary of state, urged Washington not to sign, asserting that the bank was unconstitutional. In replying to these arguments, Hamilton presented for the first time the doctrine of implied powers, asserting that Congress had "a right to employ all the means requisite and fairly applicable to the attainment of constitutional ends."

Save for his opposition to the idea of a central bank, and the political controversy in which that opposition

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subsequently involved him, Thomas Jefferson's name seldom is linked with money. Yet Jefferson is entitled to a great deal of credit for the decimal system of coinage in use in the United States today. The decimal system seems to have originated with Gouverneur Morris, young aristocrat and member of the Continental Congress who had written extensively on financial and political matters. It was young Morris' financial writings which later attracted the attention of Superintendent of Finance Robert Morris, who made the youth his assistant. The assistant superintendent of finance thought the Spanish milled dollar, which had taken the place of the English pound in domestic commerce, would make the best standard, but he wanted the unit of calculation to be small and argued for fractions as minute as 1/1400 of a dollar.

Jefferson supported the viewpoint of the younger Morris (who was not related to Robert Morris by ties of blood), but Jefferson's idea for coinage denominations embraced a \$10 gold piece, a silver dollar and half dollar, a silver double-tenth equal to the Spanish pistareen and a tenth equal to the Spanish bit or real, value at 12½ cents. The Jeffersonian recommendations apparently impressed the Congress, which passed a resolution making the dollar the official unit of currency. The legislative body also passed a separate ordinance providing for a decimal system of currency including mills, cents, dimes and dollars. A little later Congress directed the establishment of a mint. Nothing was heard of either mint or coinage system, however, for another six years.

The Decimal System Is Adopted

It was not until April 2, 1792, that an act was passed establishing the United States mint, and as in the act passed by the Confederation, coinage was to be based on a decimal system. The mint building, erected in Philadelphia, was the first constructed by the federal government. David Rittenhouse, an outstanding astronomer, became the mint's first director. Rittenhouse resigned in June, 1795. He was succeeded by Henry W. Dessausure, who held office only until October of that year. The mint's third director, Elias Boudinot, retained the post for a decade.

The charter of the original Bank of



Chicago Historical Society

SALMON P. CHASE

the United States was limited to 20 years, ending in 1811. In 1809, Secretary of the Treasury Gallatin recommended a new charter, but when the question was again brought forward two years later Congress turned thumbs down on renewal. Thus when the War of 1812 came along, the institution which might have given the government valuable financial support no longer existed.

It was during the stress of this struggle that opinion changed abruptly; men who had opposed renewing the charter of the first Bank of the United States began to demand establishment of a second bank. Secretary of the Treasury Alexander Dallas was instructed to outline a plan for a new venture. The bank became an actuality in January, 1817, and almost immediately began to encounter another reversal of political opinion. President



Chicago Historical Society

HUGH McCULLOCH

Andrew Jackson, its avowed enemy, ultimately brought about its failure. Beginning in January, 1835, the government refused to receive the drafts of the bank's branches as legal tender. The institution tried subsequently to do business under a Pennsylvania charter, but the panics of 1837 and 1839 dealt it blows which brought about its failure in 1840.

In the following decade every bank in the country had its own plates for notes up to six denominations. In all, there were some 7,000 different kinds of bank notes, including the issues of about 1,700 banks that existed only on paper. The result was a flood of counterfeits and the currency began again to depreciate rapidly. Hugh McCulloch, who kept the State Bank of Indiana solvent through the crisis and who was to become a secretary of the Treasury, pointed out the defects of the system: in no two states were banking practices alike; in many states bank bills had no security whatever behind them, and in some states there was no individual responsibility whatever for bank operation.

Mr. Chase Devises A Plan

This was the general state of affairs when the Civil War erupted upon the national scene. As early as December, 1861, Salmon Portland Chase, Lincoln's secretary of the treasury, had suggested a national banking system. But it was not until 1862, when the banks had been forced to suspend payment in specie and the government had issued \$42,000,000 in greenbacks and \$237,000,000 in long term securities, that Chase's recommendations began to attract support. As 1863 rolled 'round, the greenbacks were worth about 62 cents, a circumstance which helped Chase drive home his conviction that only a national banking system under a general act of Congress could bind the union together, create a fairly constant demand for government bonds and provide a uniform national currency.

Secretary Chase devised a plan to create a better market for government bonds by offering special privileges to banks organized under federal charter. These banks could issue circulating notes only when these instruments were secured by a deposit of government bonds. The Chase plan was authorized by an act of Congress on February 23, 1863 and supple-

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mented by an act of June 3, 1864.

During his term as governor of Ohio, Secretary Chase had made a friendship which now stood him in good stead. He had become acquainted with Henry David Cooke, publisher of a Columbus, Ohio, newspaper and through that association came to know Jay Cooke, a young merchant who had become a successful Philadelphia banker. It was Jay Cooke who induced New York bankers to advance to the government \$50,000,000 to be repaid out of the sale of government bonds bearing 7.30 per cent interest. Cooke immediately converted his Philadelphia office into an agency for advertising the loan and receiving public subscriptions, a business which he later developed to widespread proportions. In 1862, Jay Cooke & Company opened a Washington office to be nearer to Chase.

As fiscal agent for the government, Jay Cooke and his associates distributed in less than two years a \$500,000,000, 6 per cent five to twenty-year loan (it could be paid at the end of five years and had to be paid in twenty years) which the Treasury had not been able to sell even at a discount. Cooke did a similarly thorough job for Chase's successor in the Treasury post, William P. Fessenden, Jr. In seven months, Secretary Fessenden had been able to sell only \$133,000,000 of a new issue of 7.30 per cent bonds. Cooke reorganized his distribution machinery and disposed of \$600,000,000 of the issue in less than six months.



Office of Jay Cooke and Company from Harper's Weekly, Oct. 11, 1873.
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JAY COOKE

When the Civil War ended and Cooke's business with the government had been concluded, except for some funding operations, the financier found himself with a sales organization only partly employed. He then resolved to develop a large general banking business, with branches in New York and London. Hugh McCulloch, the Indiana banker who had been secretary of the treasury in the final months of the Lincoln administration and had occupied the same post in the Johnson administration, became Cooke's resident partner in London. When the speculative bubble of the early 1870's finally burst, Jay Cooke & Company was forced to close its doors, a circumstance which contributed to the general panic of 1873.

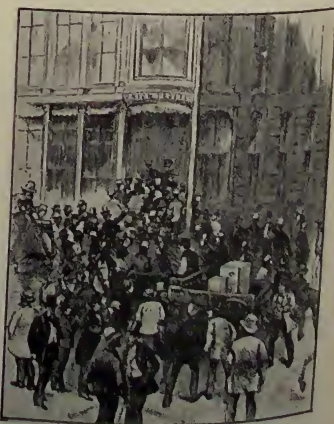
Cooke has since been the target of rather sharp criticism, some of which he may have deserved. The fact is, however, that he later recovered the estates he had surrendered to his creditors and died a wealthy man through successful mining ventures in Utah and elsewhere. Few historians of the period ever bother to mention that Cooke's service to the government during the Civil War won him widespread public sympathy in his later difficulties.

The crisis augmented by the fall of the domestic branch of Cooke's banking firm also served as the first severe test of the solidity of the new national banking system. It withstood the ordeal in splendid fashion and remained virtually without change for another 45 years. In retrospect, it seems reasonable to assume that the system's ability to absorb the shocks of recurring economic ups and downs was due in no small measure to the

work of Hugh McCulloch, who became secretary of the treasury during Lincoln's second term. The man who had brought an Indiana bank through two major crises and who as first comptroller of the currency had helped Salmon Chase launch the national banking system, was confronted immediately with the problem of what to do about the government's wartime issues of paper money, irredeemable in gold. Some \$450,000,000 of this paper was outstanding and its value in gold had ranged from 42 3/4 cents per dollar in January, 1865, to 77 1/8 cents in May of that year.

In his official statements the new secretary recommended retirement of the United States notes and a return to the gold standard. In his first report to the Congress he took the stand that the only justification for the note issues had been the exigencies of war; with the war ended, they should not remain in circulation a day longer than necessary. McCulloch did not believe that resumption of specie payments would restore prices to prewar levels but he insisted that the longer the step was put off, the more serious would be the ultimate consequences.

Although congress refused to go along with the plan to issue bonds for early and progressive retirement of the United States notes, McCulloch never stopped trying to bring about a readjustment of public revenue and large-scale reduction of the funded public debt. His biographers stress his habitual caution and, by and large, his record bears them out; but he did not



Run on the Union Trust Company, New York, from Harper's Weekly, Oct. 11, 1873.
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hesitate to act boldly when he thought the occasion warranted such action. He had no qualms, for example, about using Treasury funds to purchase government bonds in the open market in order to support the price when the news of Lincoln's assassination threatened a Wall Street panic.

McCulloch made a brief reappearance in public life in 1884 at the age of 76. He became President Arthur's secretary of the treasury to succeed W. Q. Gresham who had resigned. In his report to Congress in the same year he said that if silver certificates continued to take the place of gold, the Treasury might be forced to use its gold for ordinary payments or use silver to redeem gold obligations. The first part of his prediction actually came true in 1894, and the use of silver for gold payments was narrowly averted.

Masters Of Capital

The big names on the economic horizon during the boom which followed the Civil War were those of merchant princes who had amassed great wealth by financing their sources of supply. In his book, *The Masters of Capital*, John Moody recalls that Nathan Rothschild, the 19th Century's most famous man of money, had made his start by financing the materials and products of early English cotton mills. In America, too, capital tended to increase rapidly in the hands of the great merchants whose stock in trade was largely cloth or manufactures from cloth.

Nearly all the great private bankers of Wall Street started as firms engaged in the dry goods or clothing business. This was true not only of the Morgans but of Brown Brothers, Kuhn, Loeb and Company, the Seligmans and many others. "It was a natural beginning," says Moody, "for prior to the period of modern machinery capital in large masses was employed chiefly by merchants, and the wholesale handling of merchandise was among the most profitable of undertakings. Before the idea of capitalizing possibilities took possession of the minds of men, the purely competitive commercial business, such as the wholesale merchandising of goods, still held the center of the stage, both in this country and in Europe."

John Pierpont Morgan was 34 years old in 1871 when he became a partner of Anthony J. Drexel, of Philadelphia,



The Bettmann Archive, N.Y.
In the office of J. Pierpont Morgan, American banker and financier. Drawn from sketches made from life by W. R. Leigh.

in the firm of Drexel, Morgan and Company. The new firm had many advantageous alliances. On the other side of the Atlantic it was in close touch with English capital through the banking house of J. S. Morgan and Company; at home, the Drexels represented one of the richest financial houses in the United States.

Pierpont Morgan had watched railroad expansion and the frenzied finance that had accompanied it for years but had taken no part. He became an active participant in 1879, when he rescued William H. Vanderbilt from failure by secretly selling 250,000 shares of the New York Central and Hudson River System to permanent investors abroad. This enabled Vanderbilt to dispose of a large portion of his New York Central holdings without disturbing the American securities market.

Morgan, The Reorganizer

Knowledge of the New York Central deal eventually became public property and J. Pierpont Morgan came to be widely regarded as the sort of genius who could solve any financial problem, no matter how complicated. In an era in which investors at home and abroad needed someone to champion their interest, Morgan was looked upon as a tough-minded, conservative manager of railroad properties. As a result of this reputation, it was to Morgan that investors turned when the speculative bubble burst and more than half the railroad mileage of the

United States went into receivership.

The American House of Morgan made a great deal of money reorganizing railroad properties, but it was not primarily the immediate profit of these transactions that motivated Morgan. As Morgan biographer John Moody puts it, "He felt obliged in self-defense to see to it that the many millions of capital, especially that of English investors, should not be hopelessly wiped out. A firm whose greatest specialty was the marketing of American securities abroad could not afford to have these securities pass as worthless paper before the eyes of the world. The fame of the House of Morgan in London and all its tradition were based on the greatness and wealth of America, and both the Morgans, father and son, had always been 'bulls on America.'"

There were other "masters of capital"—some Morgan's contemporaries, some to come later. We cite the case of J. Pierpont Morgan largely because he was generally accepted by friends and enemies alike as the symbol of a great awakening. A new century was close at hand, a period in which capitalization of America's industrial potential would become so much a part of the economy that few would remember that it had not always been so. And in this new century, commercial banking became the great intermediary between the savers and users of capital. Commercial banking has become so important that it seems never to have been less so.

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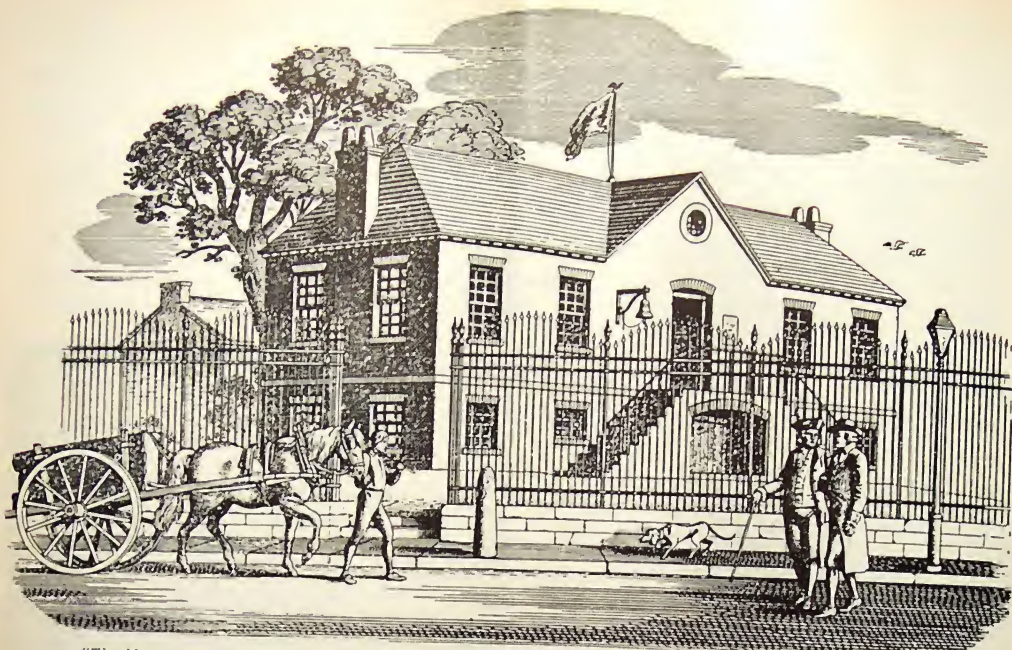
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THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO





"The Manufactory House", built in 1753, was the first home of what is today The First National Bank of Boston.

Experience Builds a Banking System

Many of us are inclined to take for granted the fairly common assumption that today's basic banking services are strictly modern developments. It is true, of course, that these services have been tremendously extended and refined in our time, but fundamentally they haven't changed much in 2,500 years.

There is ample evidence, for example, that the temple priests of Babylonia in the 9th Century, B. C., received deposits and made extensive use of promissory notes and check-like orders to pay in gold and silver coin or bullion. Priests of ancient Greece also accepted savings deposits and conducted rather large-scale lending operations. And at the zenith of Rome's power bankers paid interest on time deposits, purchased drafts drawn on merchants and banks of other countries, made commercial loans, sold mortgages and issued letters of credit.

When these ancient civilizations declined, their economic systems fell with them. The downfall of the Roman

Empire ushered in the dark period known as the Middle Ages. In that era, commerce as the Romans and Greeks had developed it was virtually non-existent. Such banking as existed was largely of the pawn broker variety. When not in pawn to the money lenders, gold, silver and precious stones were concealed as well as might be in castle vaults. In the scattered villages where craftsmen plied their trades, these valuables were given for safekeeping to the local goldsmith.

Modern Banknote Foreshadowed

When the world began to grope its way back to art, literature and commerce the goldsmith emerged as a commercial banker. For some reason which seems not to have intrigued historians, goldsmith banking spread more quickly in England than anywhere in Western Europe. Evolution of the banknote and the first attempts at monetization of private debt can be traced to that country. It was not long before English goldsmiths began to use promissory notes payable upon

proper indorsement instead of personal receipts for deposited valuables. And shortly thereafter, they created the prototype of the modern banknote by issuing notes payable to the bearer upon demand.

"It was at this point," say Robinson, Gane and Farwell in their book, *Financial Institutions*, "that the goldsmith became a commercial banker in the modern sense. By lending, sometimes gold and sometimes bearer notes payable in cash on demand, the smith had created obligations in excess of his liquid assets. He had, therefore, taken possession of the promissory notes of a borrower and created a net addition to the volume of purchasing power in the form of an acceptable medium of exchange. The risks incurred required the smith to invest his own funds in the banking operation, to borrow from others and to take the chance of going bankrupt. The fee paid by each borrower included some compensation for assuming these risks. The community as a whole was served by the increase

in the amount of money made available by the lending process."

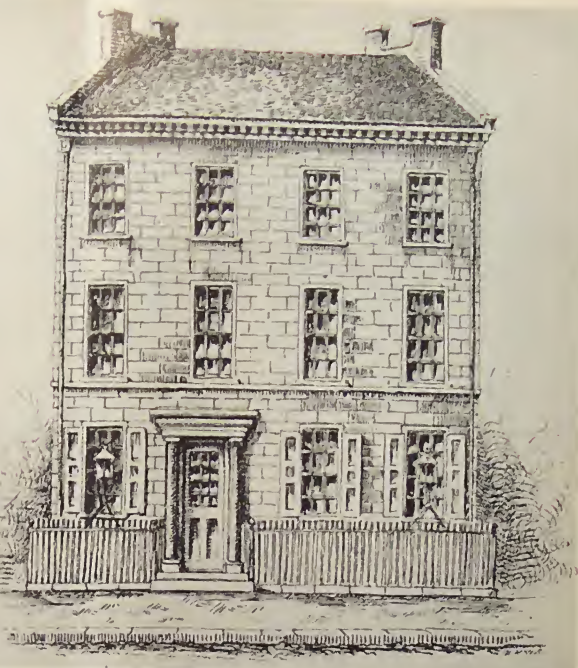
This, then, was pretty much the general banking picture in the mother country when the North American colonies began to outgrow the frontier phase of their separate economies. It is interesting to observe, however, that the first enterprise in the colonies that might be called a bank was modeled, not after the goldsmith banks, but after an English land bank established in 1696. This institution was similar to a modern real estate loan company, having in addition the power to circulate notes which were acceptable as money.

The idea of empowering corporations to issue paper money secured by land intrigued John Colman and his associates in Massachusetts. The plan encountered official opposition when it was first proposed in 1715, but when Colman revived it some 24 years later, the scheme took hold. The stock of this bank was fixed at £150,000; no one was permitted to subscribe more than £2,000 nor less than £100. For each £1,000 subscribed the subscribers paid 40 shillings in money and pledged the remainder in land "to the satisfaction of the directors."

Milestone In Massachusetts

The Colman venture in Massachusetts was a milestone of sorts, but Philadelphia was the capital of the infant nation and destined, naturally enough, to take the lead in forming its economy. The Bank of Pennsylvania, established in the capital city to facilitate the financing of provisions for Washington's hard-pressed armies in the field, was to prove a more worthwhile contribution to banking progress. This bank became, in fact, the model for the Bank of North America, which most historians concede to be the first real bank in the United States and certainly the first to operate as a national bank with a federal charter.

Duly authorized by the Continental Congress, the Bank of North America issued 100 shares of stock at \$400 a share. Many of the subscribers to the Bank of Pennsylvania transferred their interests to the newer institution and when a French vessel shortly thereafter brought in the equivalent of \$462,362 in specie, Superintendent of Finance Robert Morris promptly subscribed half of that sum to the



Bank of North America, direct ancestor of The Pennsylvania Company, began business in this building in 1781.

Bank of North America on behalf of the fledgling government.

Finding a site for the new bank presented no difficulties. Tench Francis, its cashier, was a Philadelphian of considerable means. His offer of a building to house the enterprise was quickly accepted by the directors. In his *Epochs in American Banking*, Noble Foster Hoggson quotes the following contemporary description of the premises:

"The Bank of North American, situate on the North Side of Chestnut Street, west of and near Third Street, being 38 feet front by 45 feet deep, three stories high, exclusive of an octagon back one story high, 18 and 9 inch walls. The lower story is one main room with three small apartments, divided off by a boarding about four feet high, with turned ballusters on the top, for the use of the President, Cashier, and a discount room, and a counter in the middle nearly the length of the main room; a girder under the second floor supported by three columns, a large vault on the west side of the room three stories high, with iron doors opening into it in each story, and a small fire proof safe in two of the rooms above mentioned."

The business methods of Thomas Willing, first president of the Bank of North America, were ingeniously designed to promote public confidence in the institution. What appeared to be large quantities of specie were kept in sight of the bank's customers at all times during banking hours. This illusion was accomplished by means of an endless elevator, roughly comparable to a modern escalator, hoisting and lowering what seemed to be limitless numbers of pieces of eight, doubloons, louis, guineas, shillings, bits, pistareens and sous. Those who saw this display could be counted upon to tell their friends and neighbors of the bank's huge resources.

Competition Discouraged

Willing's ingenuity proved tremendously effective. The bank became so popular and earned so much money for its stockholders that a movement was started to set up a new Bank of Pennsylvania. Willing met this threat in his stride; he induced his directors to increase the capitalization of the Bank of North America by 4,000 shares of \$400 each. This opportunity to share in the institution's earnings satisfied the would-be competitors and



The first Bank of the United States, established in Philadelphia in 1791 after long and bitter public controversy, was the major prop of the youthful Alexander Hamilton's plan to solve the aggravated fiscal problems of the new republic. The Bettmann Archive, N.Y.

the idea of a second bank in Philadelphia was temporarily abandoned.

Buying off competition by offering more stock did not bring immediate peace to Willing and his banking associates, however. Shortly after capitalization was increased an anti-bank party became politically active in Pennsylvania, petitioning the legislature to repeal the charter of the Willing bank. A legislative committee, sensitive to the rather widespread belief that banks were an economic menace, actually recommended repeal. The bank's managers and directors insisted that the state had no right to nullify its federal charter. The situation was finally resolved, after much public controversy, when the Pennsylvania assembly granted the bank a state charter to run for fourteen years, with capitalization limited to \$2,000,000. The federal charter permitted capitalization of \$10,000,000, but to the bank's Philadelphia friends the smaller sum seemed to be about all any institution of its kind would ever be able to use legitimately.

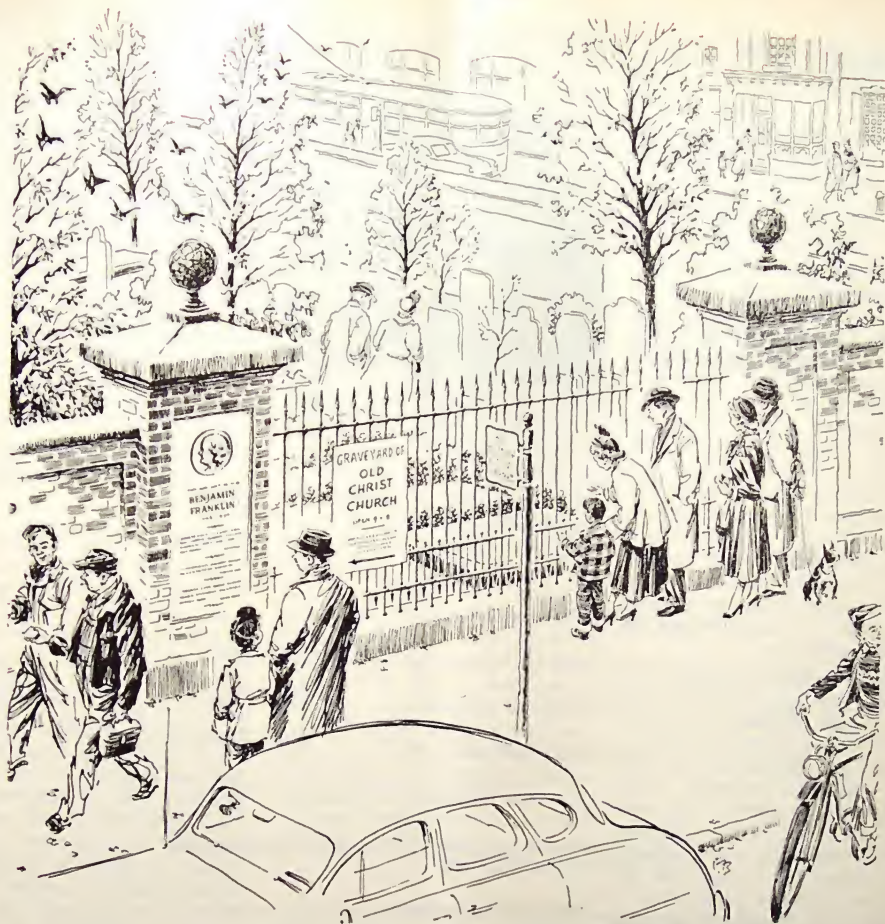
The Bank of North America was the first national bank ever to be chartered

without the word "national" as part of its corporate title. It was succeeded in February, 1823, by the Bank of North America and Trust Company. In June, 1829, the latter bank was merged into The Pennsylvania Company for Insurance on Lives and Granting Annuities.

From Pure Water To Banking

William H. Dillistin, retired auditor of the Federal Reserve Bank of New York and compiler of an historical directory of New York Banks, reports that the first state bank authorized after the Revolutionary War was the Bank of Massachusetts in Boston. Chartered by the Massachusetts legislature in February, 1784, this bank operates today as the First National Bank of Boston. The next bank to be organized, says Dillistin, was proposed by Alexander Hamilton in the same year. Although Hamilton was only 27 at the time, it was primarily through his efforts that the Bank of New York came into being. This bank, which for fifteen years was without a state-chartered competitor in New York City, has been in continuous operation ever since.

In 1799, Hamilton's political rivals in New York City, among whom was Aaron Burr, wanted to start a bank but felt that the Federalist-dominated legislature would frown upon a competitive institution. During the previous year, New York City had been visited by an epidemic of yellow fever believed to have been caused by impure water. Burr and his associates petitioned the New York legislature to grant a charter to a corporation which would supply the City of New York with "pure and wholesome water." Within the act of incorporation, however, there was this provision: "... it shall be lawful for the said company to employ all such surplus capital as may belong or accrue to the said company in the purchase of public or other stock, or in any other monied transactions or operations, not inconsistent with the constitution and laws of this state or of the United States, for the sole benefit of the said company." In this phraseology, particularly that portion of it referring to "any other monied transaction or operations," was the beginning of a new banking enterprise, an enterprise



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which ultimately became the institution widely known today as the Bank of the Manhattan Company.

A Blueprint Was Needed

When the First Congress of the United States convened on the first Wednesday of March, 1789, its major problems were financial. The Treasury needed reorganization, the government needed a means of fairly consistent revenue and the country as a whole needed a national monetary system. But if the United States were to have all this, there was also need of someone with a cohesive and coherent fiscal philosophy to draw the blueprints. This individual proved to be the youthful Alexander Hamilton. He proposed (1) to have the central government assume the debts of the state governments and to convert these and its own debts into long-term federal bonds, (2) a revenue system based on import duties supplemented by internal taxes, and (3) a national bank to be created by federal authority but controlled privately.

Debate in Congress over Hamilton's proposals was long and bitter, particularly with reference to the bank. To all criticism against this phase of his plan, i.e., that it would increase usury, promote speculation, divert funds from agriculture and drive specie out of the country, Hamilton replied categorically and specifically in so effective a manner that the Congress eventually capitulated. In February, 1791, President Washington signed the bill authorizing the Bank of the United States.

The bank's charter was limited to 20 years. Its capitalization was fixed at 25,000 shares at \$400 per share, of which the federal government was to subscribe one-fifth. Private subscriptions were limited to a maximum of 1,000 shares per person, payable one-fourth in specie and the balance in United States certificates of indebtedness. The bank was not permitted to sell goods or real estate except as forfeited collateral.

Carpenters' Hall, Philadelphia, was the scene of the opening of subscription books for the national bank. Within 15 minutes after the crowd had been admitted 24,000 shares of stock had been subscribed—4,000 shares more than could be sold to the public. As a result of this oversubscription speculators began to bid up the price of the stock. So great was the demand



Carpenters' Hall, scene of subscriptions to the first bank of the United States.

that many who had made the required down payment of \$25 a share in cash were offered \$50 a share for their subscriptions before they left Carpenters' Hall.

Thomas Willing, who had resigned as president of the Bank of North America, became the first president of the Bank of the United States. Under his able direction, the bank soon had branches in Boston, New York, Baltimore, Washington, New Orleans, Norfolk, Va., Charleston, S. C., and Savannah, Ga. Within several years the bank had grown so big that new quarters were constructed for the home office.

An Era Of Expansion

It was an era in which the country was becoming conscious of its economic muscles and wanted to develop them. Speculation was in the air. The scramble for stock of the Bank of the United States sparked a rush to get into the banking business. So far as available records show, the country's fifth post-revolutionary bank was the Providence Bank of Rhode Island, established in 1791 with capital of \$400,000. In the following year chartering by the states began to gather momentum; eight banks were in business before the year-end.

The Bank of South Carolina, with a capitalization of \$640,000, began as an unchartered institution in 1792, but managed to get a charter shortly thereafter. One of the smaller banks started during the year was the New Hampshire Bank, with a capitalization of only \$100,000. Alexandria was the site of the first state bank in Virginia.

The Bank of Richmond was chartered a month or two later with capital of \$100,000. Of the three banks started that year in Connecticut, the Hartford Bank had the largest capitalization—\$930,000. Its actual beginning assets, however, consisted mostly of promissory notes of stockholders and its supply of specie was slight.

One of the rules of which the Hartford Bank was proud was that nothing which occurred inside its doors should be mentioned outside. Historians agree that this secrecy became generally characteristic of banking in the early days of this country. Nor is it too difficult to believe that the element of mystery about their operations, which bankers seemed unwilling to dispel, was largely responsible for the widespread popular distrust of banks.

Banking Spreads Westward

The Bank of Pennsylvania, in Philadelphia, was the largest of the three banks chartered in 1793. Its capitalization of \$3,000,000 of which \$1,000,000 was held by the state, dwarfed the starting resources of the Bank of Columbia, in New York City, and the Bank of Columbia, Washington, D. C. The largest institution to be chartered in 1795 was the Bank of Baltimore, with an impressive capitalization of \$1,200,000. Also established that year were the Bank of Rhode Island, the Bank of Delaware, the Bank of Nantucket, and the Middleton Bank of Connecticut. The latter, capitalized at \$400,000, was the largest of the four.

In 1798, the only bank chartered was at Norwich, Conn., but in 1799 the Bank of Manhattan, the Bank of Portland, Me., and the Essex Bank of Salem, Mass., were granted authority to operate. By 1800 there were twenty-six state-chartered local banks on the Atlantic Seaboard—fourteen in New England, ten in the so-called "middle" states and two south of the Potomac.

Between 1800 and 1807, at least 50 new banks were founded and the number of banks in New York City was increased by five, the largest of which was the Merchants Bank capitalized at \$1,250,000. It was during this first decade of the 19th Century also that banking began to spread west of the Alleghenies. In 1802, the Kentucky Insurance Company was authorized to conduct banking in connection with its main business. Similarly, in 1803, the



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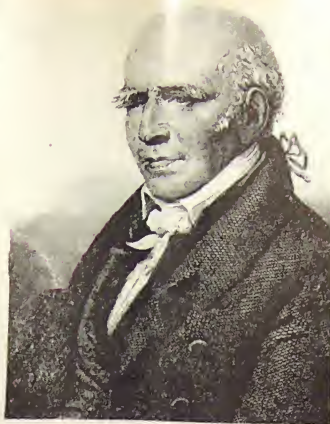
Ohio assembly chartered the Miami Exporting Company of Cincinnati to engage in banking in addition to its other activities.

When the original congressional authorization of the Bank of the United States expired in 1811, the national legislature had already decided not to recharter the institution. The question of constitutionality had arisen once again and those who did not believe the central government had a right to create corporations had won out. There were 83 state-chartered banks in existence at the time and the refusal of Congress to recharter the national bank had the effect of stepping up demand for additional state charters. Before the year 1811 was out, the Pennsylvania general assembly passed a bill authorizing 41 banks in 27 legislative districts in the state, and within two years of this action 37 new banks were organized in the commonwealth.

Loans To The Erie Canal

An immediate outgrowth of the removal of the Bank of the United States from the economic scene was the organization of the Bank of America in New York. The organizers were stockholders and trustees of the national bank and in their application, according to Noble Foster Hoggson, they promised substantial loans to the Erie Canal project and to the farmers of the state. The New York legislature granted the Bank of America charter and it went into business in 1812 with a capital of \$6,000,000. About the same time, the Pennsylvania legislature granted a charter to another group of stockholders and trustees of the Bank of the United States. This was the Bank of Commerce, capitalized at \$7,500,000 with a 20-year charter.

Among the strong supporters of the Bank of the United States had been Stephen Girard, who had served on the committee of five which petitioned the Congress in 1810 to renew the bank's charter. Girard was a man of great wealth and diversified interests who had started from small beginnings in the American tradition. A free citizen of the State of Pennsylvania and an adopted son of Philadelphia, Girard's especial interests were real estate, insurance and banking. When the Bank of the United States was forced to close its doors, this financier-patriot bought the bank's building in his adopted city and acquired the



Culver Service N.Y.

STEPHEN GIRARD

institution's assets, said to have included \$5,000,000 in specie. The Bank of Stephen Girard opened for business in May, 1812.

The years immediately following the War of 1812 were difficult ones. The Bank of the United States, which might have been expected to help stabilize the economy, was no longer in existence. Wartime demand for specie with which to pay for imports from other countries had all but drained the United States of hard money. Banks were slow to return to specie payments and some states found it necessary to enact laws forcing them to do so. In the circumstances, it was natural enough that many of the public men who had opposed the idea of a central bank were now ready to espouse a second Bank of the United States.

In October, 1814, Secretary of the Treasury Alexander Dallas started an outline of a plan for a second United States bank. His recommendations, embodied in a bill presented to Congress in January, 1816, conceived the bank's objectives as "restoration of the currency, the maintenance of the general credit, and the accommodation of the internal and foreign trade of the country." The life of the charter was to be 20 years.

The bill passed three months later and the second Bank of the United States promptly received its charter. It was not to open for business, however, until January, 1817. The capital proposed was \$35,000,000 and the government was to own one-fifth of the stock. Public subscription was

opened simultaneously in 20 cities and each 100-share subscriber was permitted to make an initial payment of \$30, only \$5 of which had to be paid in cash. The remainder was payable in United States notes. Even under these liberal terms, the issue was not fully subscribed when the books were closed. It remained for Stephen Girard, whom Secretary Dallas had appointed to the five-man commission to receive subscriptions, to come to the rescue. Girard took the unsubscribed balance of \$3,000,000, thereby speeding up the work of organization which otherwise might have dragged on indefinitely.

The second Bank of the United States ran into trouble early in its limited career. The states imposed heavy taxes on its branches and denied them protection on the flimsiest excuses. Although the Supreme Court of the United States had sustained its constitutionality, the question of the bank's survival became the hot issue of Andrew Jackson's first presidential campaign. After his election, Jackson's first message to Congress was loaded with anti-bank criticism. He called the bank a "monopoly, an oligarchy and a danger to the state, to the people and to business."

The storm was checked until the next election by Treasury Secretary Louis McClane, who was friendly to the bank and who ultimately lost his job by defending it. When Congress passed a bill renewing the bank's charter for fifteen years, Jackson promptly vetoed it and the Senate as promptly sustained the veto. After re-election, the President's first step was to order all government deposits removed from the national bank. This was the beginning of the end. Without government backing, the bank was forced to suspend specie payments in the panics of 1837 and 1839. It failed completely in 1840, its entire capital having been dissipated in the effort merely to stay alive.

The Wildcatters Take Over

At the time the second Bank of the United States closed its doors, wildcat banking was in its riotous heyday. The number of state banks had mushroomed to about 800 in seven years. Their total note circulation was some \$159,000,000. In all, there were about 7,000 different kinds of notes ranging up to six denominations. These in-

Serious efforts were made in several states to cope with this situation. But by and large the state banks successfully resisted efforts to subject them to regulatory authority. The country had forgotten the panic of 1839 and was getting ready for the crisis of 1857. The railroad bubble which had been growing in size since 1850 was getting thin. Millions of dollars of railroad stock had found its way into the banks as collateral for loans. When it became obvious that it would be many years before railroad earnings could even begin to catch up with railroad capitalization, the boom psychology faded rapidly. The panic was touched off on August 25, 1857, when the Ohio Life Insurance Company collapsed. This failure, involving widespread interests in New York as well as Ohio, was followed on September 24th and 25th by suspension of specie payments by the banks in Philadelphia, Baltimore and the north central states. New York banks took similar action in October, with the New England banks next in line. The big railroads of the day—the Erie, Illinois Central and the Michigan Central—were taken over by receivers and it was not long before most of the smaller lines were in like straits.

The situation was generally bad but was to become worse before it got better. Secession was soon to put an even greater strain on the nation's finances. Yet out of the misery and stress of the civil conflict came the first steps toward eventual recovery. These were the national banking system and the beginnings of a uniform national currency.

September, 1952

Consulting lists of spurious notes was a daily bank chore in the 1870's.

liability on their holdings.

The national banking system did not blossom quickly into full bloom. There was no rush of state banks to convert to federal charters. The 2 per cent government tax on the note issues of state banks was not large enough to prod reluctant institutions into giving up this profitable business. Even after Congress, in 1865, increased the tax to 10 per cent, effective after July 1, 1866, many state banks continued to carry on their business without issuing notes.

In due course, however, the tax had its hoped-for effect. National banks multiplied from a mere 453 with an aggregate capital of \$79,366,950 in 1861 to 1,614 with capital of more than \$400,000,000. National bank note circulation increased in this period from about \$25,000,000 to more than \$280,000,000.

The earliest bank to become



Secretary of the Treasury Chase signs Charter No. 1, granted to the First National Bank of Philadelphia under the National Banking Act of 1863. In the mural depicting the event are Katherine Chase, the Secretary's daughter, and (left to right) financier Jay Cooke, an Army officer, Comptroller of the Currency McCulloch and Clarence H. Clark, president of the bank.

identified with the new national banking system was the First National Bank of Philadelphia, which received its federal authorization on June 20, 1863. This bank, capitalized at \$150,000, apparently antedated only by a matter of hours the First National Bank of New Haven, Conn., the First National Bank of Stamford, Conn., each capitalized at \$300,000, and the First National Bank of Youngstown, Ohio, capitalized at \$150,000.

The First National Bank of Chicago joined the system on June 22, 1863, with capital of \$100,000. The First National Bank of New York City was chartered July 21, 1863 with a capitalization of \$200,000. And the first of the national banks with a \$1,000,000 capitalization was the First National Bank of Cincinnati.

Numbering System Dropped

Secretary of the Treasury Chase and his Comptroller of the Currency, Hugh McCulloch, worked hard to bring as many state banks as possible into the national system. One of the stumbling blocks they encountered was the matter of name and reputation. An institution with a well-known name would hesitate to give up that trade mark to become the second, third or fourth national bank in its community. Chase continued for a long time to favor the numbering system, but he

came around eventually to the viewpoint of the objectors. Congress ultimately passed a bill permitting old, established banks to nationalize under their own names.

Among the first institutions to take advantage of the new dispensation was the Bank of Commerce of New York, capitalized at \$10,000,000. The president of this bank had previously written to Comptroller of the Currency McCulloch to demand whether the comptroller really expected "the famous Bank of Commerce to relinquish its honored name to become the tenth or twentieth national bank of New York City?" The identity of this early bank has long since been merged with that of today's Guaranty Trust Company of New York, which began business in 1864 as the New York Guaranty and Indemnity Company.

The new national banking system was by no means completely imperious to shock, but it stood up surprisingly well in the first crisis to test its basic soundness—the panic of 1873. Of the 1,973 national banks in existence in that year, only eleven failed. Three more closed their doors in the following year, but in the system's first thirteen years only 49 banks failed. Of the \$7,192,000 of notes circulated by these institutions, \$5,898,000 had been redeemed prior to failure, leaving only \$1,295,000 out-

standing. And this remainder was, of course, guaranteed by the government.

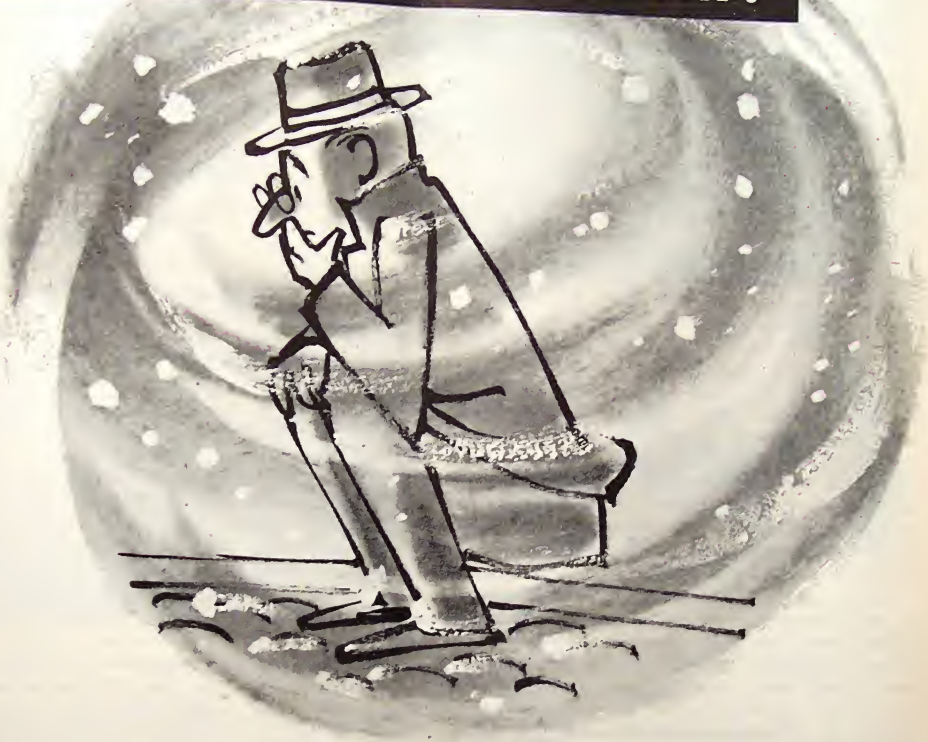
The national banking system was to remain unchanged for almost half a century after it survived the crisis of 1873. But before the system was well established, another development had begun to attract public attention. This was the evolution of the savings bank. Some researchers have convinced themselves that the idea originated with Daniel Defoe. The author of *Robinson Crusoe* had been involved in a London business failure and although he ultimately paid his creditors in full, the experience led him to suggest bankruptcy reforms. In his *Essay on Projects*, written in 1698, Defoe outlined his idea of a savings bank.

The First Christmas Club

It is fairly clear, however, that savings societies in England, Germany and Switzerland antedated Defoe's essay. In every case, the deposits were for predetermined purposes and not subject to interim withdrawal. The first deviation from this plan appears to have been the Reverend Joseph Smith's 1799 prototype of the modern Christmas Club. This Wendover, England clergyman offered to permit withdrawals at stipulated times, one of these being the Yuletide season.

In our own country, the experiments in England were watched rather

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closely by philanthropically minded individuals who sought to encourage thrift. The first such institution on this side of the Atlantic seems to have been the Philadelphia Savings Fund Society. Organized in 1816 by Condé Ragnot, an American diplomat, this society was not formally incorporated in Pennsylvania until 1819.

The Savings Bank Emerges

In December, 1819, Boston jurist James Savage proposed to form an institution "for the security and improvement of the savings of persons in humble life, until required by their wants and desires." Since establishment of a bank implied the privilege of issuing bills to circulate as money, there was some discussion of the advisability of seeking a charter from the state legislature. This was eventually done, however, and the charter granted as a result apparently was the first of its kind. From that time on, the word "bank" began to appear more frequently in the titles of savings societies. The Boston venture also marked the emergence of these institutions from the philanthropic stage, since the Massachusetts charter permitted the incorporators to deduct reasonable sums for expenditures.

The Savings Bank of Baltimore was the third institution of its kind in the United States. This bank offered "a secure and profitable mode of investment of small sums (returnable at the will of the depositors on a short notice) to Mechanics, Labourers, Hirelings and others; and to such individuals this institution holds out the offer of disinterested friendly service." Although the bank received deposits only three hours, from 11:00 until 2:00 o'clock every Monday, it became so successful that its organizers had little difficulty obtaining a charter from the Maryland legislature.

The experience of Thomas Eddy, reformer and philanthropist, typifies the official attitude of the day toward use of the word "bank" in the titles of savings organizations. Eddy and several associates tried in 1818 to establish such an organization in New York City. The name they presented to the legislature was The Savings Bank of the City of New York. The proposal remained buried in committee until Eddy finally organized the Society for the Prevention of Pauperism. The suggestion that here was an institution devoted to the interests of

the poor was sufficient to overcome opposition and the charter eventually was granted in the name originally proposed.

Few of these early savings banks were able to employ regular banking personnel. Usually the organizers themselves set aside one or two days a week from their customary pursuits to act as receiving tellers. Or, if the organizing group was large, a committee was formed from among its members to receive deposits. It is interesting to observe that such committees not only took in the depositors' money, but interviewed each depositor to see what could be done to promote his or her welfare. The committees hoped by this method to become personally acquainted with savers and thereby instill habits of thrift.

Savings banks found the going none too easy but they succeeded through the years in carving a niche for themselves. In his *Epochs in American Banking*, Hoggson reports that by the end of 1819, deposits in savings banks totaled \$1,138,576. By way of contrast, today's total, exclusive of the deposits of the savings departments of commercial banks, is a huge \$21,000,000,000-plus. To heighten the comparison, more than 21,000,000 individuals place a portion of their savings in such banks today, as against a mere 8,635 depositors in 1820.

The words ". . . and Trust Company" appear in many bank titles today. In our modern economy, banks have found it desirable to act for

their customers in a fiduciary capacity and trust companies have found it convenient to provide banking services. Yet the pioneers in this field were all insurance companies whose major connection with banking was the issuance of certificates of deposit which circulated as money. The first of these pioneers was the Farmers' Fire Insurance and Loan Company of New York City, 19th Century ancestor of today's City Bank Farmers Trust Company; the second was the New York Life Insurance and Trust Company, established eight years later in 1830.

A Model For Trust Companies

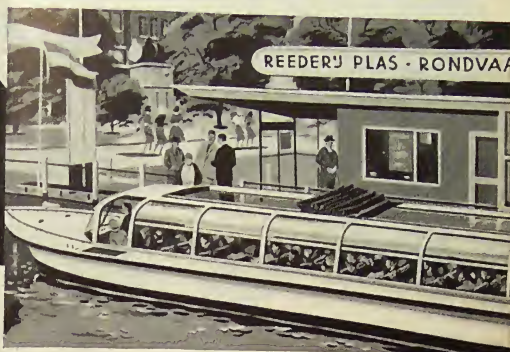
The first institution in the country to be organized exclusively as a trust company was the United States Trust Company of New York City, chartered in April, 1853. Its charter was perpetual and it became a model for other trust companies and for the laws that were subsequently to regulate their activities.

Limitations of space suggest that this is perhaps as good a place as any to put a period to this trilogy of three centuries of money, men and banks. The past fifty years or so fall into the category of contemporary history with which most members of the American Bankers Association are familiar and in which their organization played an important role. Suffice it to say that today's dual banking system is the product of lessons learned in the hard schools of experience.

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September, 1952



The 1486 Tyrol double gulden is conceded to be the first dollar-size coin ever struck in silver.



The American \$ is believed by many to be a Colonial version of the figure 8 and the two Pillars of Hercules which formed the face decoration of this Spanish dollar minted in Peru in 1653.



The Act of April 2, 1792, authorized this early American dollar which was struck three years later during Washington's second term.

Unique Coin Collections Trace Evolution of the Silver Dollar

AMONG the many interesting exhibits in Convention Hall at Atlantic City will be two fascinating collections of dollar-size silver coins presented for the first time at an ABA convention. This unprecedented array of coins, depicting the evolution of the dollar through some five centuries of world history, will be on display throughout the convention in the booths of the Bank Building and Equipment Corporation of America. Each visitor to the display will be given a booklet explaining the historical significance of each coin.

Included in the exhibit is the exceptionally rare double gulden, struck in the Austrian Tyrol in 1486. This coin of the Holy Roman Empire is generally believed to be the original ancestor of all silver units of dollar dimensions.

Next in historical value to Americans is the Spanish dollar, characterized by the Pillars of Hercules with the numeral "8" between them. Many historians believe the U.S. Dollar sign (\$) to be a version of these pillars superimposed upon the 8. Whether or not this is indeed the origin of the dollar sign, the Spanish dollar is actually the daddy of the U.S. dollar. It is the famous "Piece of Eight" which was the basic unit of trade in the Colonies.

The collection contains a speci-

men of a "Piece of Eight" struck in Peru in 1653. A hole was drilled in these coins so that the Peruvian Indians could string them on a thong and wear them about their necks.

Because they were so widely used by the seafaring New England colonists in their trade with the Spanish possessions in the Caribbean, pieces of eight became the prizes most coveted by the pirates and buccaneers who roved the Atlantic Main. Today, they are the prizes most coveted by treasure hunters all the way from the West Indies to Hudson's Bay.

In the collection is one of the silver dollars struck in 1795 during Washington's second term as President of the United States. This was the dollar authorized by the Act of April 2, 1792, the legislation which first legalized the dollar as the real unit of currency in the United States.

Another rare piece is the franc struck in 1793 by the French Commune at the height of the revolution which cost the lives of an estimated 20,000 French men and women. The 1793 franc was ordered by the infamous Robespierre, leader of the Commune.

The display, consisting of one collection of 72 coins and another of 128, was gotten together by Bank Building and Equipment Corporation with the

help of about 30 dealers, in the United States and Europe. The experts in turn selected the pieces from the vast collections of King Emanuel of Portugal, the Duke of Ferrera and many others. The coins, valued at \$10,000, were selected not only for their historical value but their state of preservation through nearly five centuries of existence.

HOW IT ALL BEGAN . . . According to legend, the word 'money' was derived in the following way. Located near the walls of ancient Rome was a temple to the goddess Juno. One night a barbarian raiding party tried to scale the wall, but the sacred geese of the temple heard the raiders and gave warning to the guards. Thereafter, the goddess was called 'Juno Moneta'—meaning 'the warner'. Money was coined in the temple and hence the words 'money' and 'mint'. Roman soldiers were first paid in an allowance of salt and were later paid a cash sum with which to buy salt. So from the Latin word 'salarius' comes the word 'salary' pertaining to salt. The word 'capital' goes back to the time that wealth was reckoned in livestock. It comes from the Latin 'caput' or head, and means literally the number of head owned.—about *The FIRST*, staff magazine of The First National Bank of Boston and associated companies.



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for instance, more than 45,000 Bell Telephone men and women were promoted to higher jobs.

Telephone people have found respect and opportunity in the business. They've found pleasant associates and fair play; significantly, about one out of every four new employees is recommended by a present employee.

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At Atlantic City

Program to Conform To Long Tradition Of Quality, Variety

FROM THE DAY IN 1875 when 350 bankers from 32 states met in Town Hall, Saratoga, N.Y., to effect a permanent national organization, annual conventions of the American Bankers Association have been notable forums of constructive thought to which leaders of government, industry, education and finance have contributed in substantial measure. The 78th Annual Convention, to be held in Convention Hall, Atlantic City, N.J., September 28 to October 1, will conform to this 77-year-old tradition.

The program announced by C. Francis Cocke, president of the A.B.A. and of The First National Exchange Bank of Roanoke (Va.), assures a wide variety of viewpoints on many of the matters with which banking is closely concerned. Each of the following non-banking speakers will have a message of interest to bankers everywhere:

Walter E. Hoadley, economist of the Armstrong Cork Company, Lancaster, Pa.; Dr. T. V. Smith, professor of poetry, politics and philosophy of the Maxwell Graduate School of Citizenship and Public Affairs of Syracuse University, Syracuse, N.Y.; United States Senator A. Willis Robertson, Lexington, Va.; Comptroller of the Currency Preston Delano, Washington, D.C.; and Alexander Chmielewski, state bank commissioner of Rhode Island and president of the National Association of Supervisors of State Banks.

Dodge, Hanes Among Speakers

Two of the bankers who will address the convention have an unusual background of experience in the operation of postwar U.S. foreign policy, particularly as it relates to economic aid to European nations. One of these, Joseph M. Dodge, president of The Detroit Bank, Detroit, Mich., and a former A.B.A. president, served his country in Austria, Germany and Japan during the war and postwar years. Robert M. Hanes, president of the Wachovia Bank and Trust Company, Winston-Salem, N.C., who will address the State Bank Division of the convention, headed the Economic Co-operation Administration in Western Germany and was an economic adviser on the staff of the United States High Commissioner. Prior to service in that capacity he had been ECA chief of



C. FRANCIS COCKE

mission in Belgium and Luxembourg.

Other bankers who will speak to the general sessions and meeting of the four A.B.A. divisions are Frank M. Totton, vice president, the Chase National Bank, New York; E. Frederick Hagemann, Jr., president, Rockland-Atlas National Bank of Boston; Samuel C. Waugh, president, First Trust Company, Lincoln, Neb.; and Jay Knox, chairman of the trust committee of the New Jersey Bankers Association and trust officer of the First Camden National Bank and Trust Company, Camden, N.J.

General sessions of the convention, registration, educational displays and entertainment features will be centered in Convention Hall. It is estimated that more than 6,000 bankers and their wives will attend the various business and social meetings.

The convention will open on Sunday, September 28, with the annual meetings of the ABA's commissions, committees, and councils, which are the association's working machinery. As usual, there will be the Sunday afternoon reception and tea, which in past years has been a popular get-acquainted feature of the first day.

Delegates To Attend Concert

On Sunday evening, registered delegates will be entertained by member banks of The Philadelphia Clearing House Association at a concert in Convention Hall by the Philadelphia Orchestra under the direction of Eugene Ormandy.

On Monday noon, the association will be host to the wives of registered delegates at a ladies' luncheon and fashion show produced and staged by John Wanamaker of Philadelphia and New York.

A traditional feature of the convention is the break-

BANKERS MONTHLY

fast meeting of the ABA's Agricultural Commission. This year's agricultural breakfast will be in the Vernon Room at Haddon Hall on Tuesday morning, September 30, at 8 o'clock. Dr. Lewis Webster Jones, president of Rutgers University, New Brunswick, New Jersey, will be the speaker.

For the registered delegates, an unusual musical treat has been planned for Tuesday evening. It will be a program featuring such stars as Lauritz Melchior, the distinguished tenor; baritone Robert Merrill; and soprano Marguerite Piazza, famous stars of Metropolitan Opera as well as radio and TV.

ABA's 78th Annual Convention

September 28 - October 1

PROGRAM

MONDAY AT HADDON HALL

Savings and Mortgage Division

10:00 A.M., Rutland Room

Address of the President

Joseph Earl Perry
President, Newton Savings Bank
Newton, Massachusetts

"Banking on Youth"

Frank M. Tilton
Vice President, The Chase National Bank
New York, New York

State Bank Division

10:00 A.M., Vernon Room

Address of the President

Guy Sturgeon
President, Bank of Commerce
Sheridan, Wyoming

Address

Alexander Chmielewski
Bank Commissioner, Providence Rhode Island
President, National Association of Supervisors of State Banks

"Bank Management"

Robert M. Hones
President, Wachovia Bank and Trust Company
Winston-Salem, North Carolina

National Bank Division

2:00 P.M., Vernon Room

Address of the President

Charles H. Buesching
President, Lincoln National Bank and Trust Company
Fort Wayne, Indiana

Address

The Honorable Preston Delano
Comptroller of the Currency
Washington, D.C.

"The Year Ahead"

Walter E. Hoodley, Jr.
Economist, Armstrong Cork Company
Lancaster, Pennsylvania

"Bank Management Problems in This Defense Economy"

H. Frederick Hagemann, Jr.
President, Rockland-Atlas National Bank of Boston
Boston, Massachusetts

Trust Division

2:00 P.M., Viking Room

Call to Order

Joseph W. White
President, Trust Division

Vice President, Mercantile Trust Company
St. Louis, Missouri

Greetings

Joy Knox

Chairman, Trust Committee, New Jersey Bankers Association
Trust Officer, First Camden National Bank and Trust Company
Camden, New Jersey

Address of the President

Mr. White

"The Olympics—and the Trust Business"

Samuel C. Waugh
President, First Trust Company
Lincoln, Nebraska

TUESDAY AT CONVENTION HALL

First General Session

9:15 A.M., Ballroom

Call to Order

C. Francis Cocke
President, American Bankers Association
President, The First National Exchange Bank of Roanoke
Roanoke, Virginia

Invocation

Brigadier James Henderson
Salvation Army
Atlantic City, New Jersey

Address of the President

Mr. Cocke

Address

The Honorable A. Willis Robertson
United States Senator
Lexington, Virginia

WEDNESDAY AT CONVENTION HALL

Second General Session

9:15 A.M., Ballroom

Call to Order

President Cocke

Address

Joseph M. Dodge
President, The Detroit Bank
Detroit, Michigan

Address

T. V. Smith
Professor of Poetry, Politics and Philosophy
Maxwell Graduate School of Citizenship and Public Affairs
Syracuse University
Syracuse, New York

Report of Resolutions Committee

Report of Nominating Committee and Election of Officers
Inauguration of Officers



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BANKERS MONTHLY

SEPTEMBER 1952



Ewing Galloway, N. Y.

Are Price Supports the Answer?

They will inevitably lead to burdensome surpluses, says the author, and can work over a period of time only if there are effective controls of production and sale. "Politicians who campaign on a platform of 'high price supports, no controls and lower taxes' are promising too much."

By O. B. JESNESS, Ph.D.*

Chief, Division of Agricultural Economics, University of Minnesota

BANKERS AND THE PUBLIC generally are concerned with agricultural welfare because of its bearing on the well being of the rest of the economy. The question is how the welfare of agriculture and all the rest can best be safeguarded and strengthened. Discussions of farm price programs oc-

cupy a prominent place in the consideration of this question.

While there is a wide range in opinions and plans, advocates of farm price programs fall into two broad groups. The members of one are for relatively high price supports, or corresponding income payments; those in the other groups favor more modest supports or other aids. The former are dissatisfied with the job the market does in arriving at price levels and price

relationships and want to supplement or supplant this with government action. The latter have greater doubts about assigning this job to the government and lean towards leaving it to the market with some aids in times of severe depression.

An insight into the differences between these two points of view may be gotten from a look at some of the arguments which are being tossed back and forth in the debate. One of the points raised in favor of government intervention is to the effect that monopoly plays such a large part in other lines that agriculture cannot afford to live alone in competition. Relatively high price supports are advanced as the answer.

The other side clearly cannot deny that the small producing unit in agriculture—the individual farm—puts farmers in a different relationship to their markets, sources of supplies and access to capital than

*Dr. Jesness has been a member of the Advisory Council of the ABA's Agricultural Commission and a director of the Midland National Bank of Minneapolis since 1944.

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when properly supervised," say these 5 bank managers

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select good credit risks. They can also supervise the growers' operations to help keep them on a sound basis.

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SANGER BRANCH

Sanger, California
June 7, 1952

Ralston Purina Company
Visalia, California

Gentlemen:

We have been making fryer chicken loans to various growers in this area during the past three years. Total loans to our customers have approximated over \$200,000.00 per year and our experience has always been satisfactory. No losses have been sustained.

We feel that if this type of loan is properly supervised by the lender with the cooperation of the feed store that they will prove to be profitable loans, which has been our experience to date.

Very truly yours,

N. G. Logoluso
N. G. Logoluso
Manager

NGL/jmg



Bank of America
NATIONAL LIVESTOCK ASSOCIATION

KINGSBURG BRANCH

Kingsburg, California
March 11, 1952

Ralston Purina Company
Checkerboard Square
St. Louis, Missouri

Gentlemen:

Our loaning experience with selected fryer producers in this area operating under your Plan has been very satisfactory.

We have also found your representatives to be most helpful in arranging credit matters for our producers.

Yours very truly,

E. R. Bergstrom
E. R. Bergstrom,
Manager.

E. R. Bergstrom,
Manager.



SWB:JW

13044
Bank of America
NATIONAL BUREAU ASSOCIATION
FRESNO MAIN OFFICE

Fresno 17, California
June 25, 1952

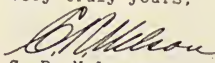
Ralston Purina Co.,
Visalia, California

Gentlemen:

We have made numerous poultry loans since September 1950 to growers in this vicinity and are pleased to report to date no losses have been sustained by us.

It is our experience that considerable supervision is required and we feel that your field men have done an outstanding job in this regard.

Very truly yours,


C. R. Nelson,
Vice-President

CRN:A



13044
Bank of America
NATIONAL BUREAU ASSOCIATION
VISALIA BRANCH

Visalia, California
June 11, 1952


Ralston Purina Co.,
Visalia, California.

Gentlemen:

This is to advise you that our experience has been quite satisfactory in the financing of poultry loans during the past two and a half years.

I am definitely of the opinion that a contributing factor to the success is that proper supervision is provided by the field men representing the firms involved.

Cordially yours,


Gordon Cook,
Manager.

GC:MM



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Bank of America
NATIONAL BUREAU ASSOCIATION
REDLANDS BRANCH

Redlands, California
July 28, 1952

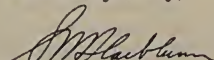
Ralston Purina Company
Los Angeles, California

Gentlemen:

Although your poultry financing loans are comparatively new to this particular Branch we are favorably impressed by the plan.

The capable supervision afforded by your field representatives along with adequate financing has shown that this type of program can be profitable to the grower and lender.

Yours very truly,


S. W. Blackburn
Assistant Cashier

SWB:JW



Plan To See Our New Portfolio on Production Financing

This portfolio gives our own loss experience (amazingly low) in handling many millions of dollars in production financing. Also the experience of bankers. It defines the credit needs of farmers for different kinds of livestock and poultry raising. It shows papers which can be used in securing such loans.

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RALSTON PURINA COMPANY
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Please ask the local Purina salesman to stop by with a copy of your new portfolio on production financing. It is understood that this does not obligate my bank in any way.

Name.....

Bank.....

Address.....

City.....State.....

is the case where large-scale organization is the rule. However, it may be pointed out that monopoly is not general and that there are a good many indications of competition at work even in some lines where large units prevail. Clearly, neither industry nor labor is as completely organized or under such perfect control as is sometimes argued. We live in a world where neither perfect competition nor complete monopoly is the rule.

These debates raise certain questions in our minds. Even though we were to accept for the sake of argument that monopoly powers were rather complete in other lines, would monopoly in agriculture through government intervention be the proper solution? Is restriction of the use of productive resources the way to improve levels of living? If monopoly restrictions are to yield gains to individual farmers, will it not be necessary to restrict entry into farming? Are we ready and willing to embark on such a program? If monopoly power is open to abuse, as many of us believe, is not its restriction rather than its extension the answer? In short, is compounding sin the way to salvation?

Bottom Third's Sales Are Small

A point raised in favor of high price supports is that they are necessary to provide farmers with incomes on the levels of those of others. A good many statistics are bandied about to "prove" that farmers fall behind in the income race. Figures may give an exaggerated impression of exactness. Income comparisons are difficult to make. The usual average farm income figures are based on all units included as "farms" by the census. A considerable number produce nothing for the market. The bottom one-third produce only a small share of market supplies and hence receive only a small part of the farm cash income. The averages for those who provide the bulk of supplies are decidedly higher. Efforts to boost farm income by price support in the market benefit most those who have most to sell. They do not reach the real low-income farm people who are not producing for market. However, that does not keep us from using the low-income



Ewing Galloway, N. Y.

"Even with supports well below the 90 per cent of parity level, supplies mounted."

persons as demonstrations of a need for price supports.

But to the extent farm incomes may be lower than in other lines, the corrective is not price supports. The way to a better balance lies in helping farm people whose incomes may be low to improve their productivity and to shift to lines where they can earn more.

Parity has come to occupy an important place in farm programs. We are told that a given program is the one to adopt because it will give farmers "parity." True parity, that is an opportunity for labor, management and capital to earn returns they could get in any other use is a highly desirable goal for all lines. However, no arbitrary formula based on the past is an accurate measure of real parity. This becomes even more so with jockeying for formulas and weights most favorable for specific products. A parity formula may be used as a rough indicator of price relationships. Unfortunately, it is not suitable as a basis of price supports which replace the market in ar-

riving at price levels. This point is not generally understood, perhaps because the term "parity" conveys an undue impression of right and justice.

More Than One Function

Advocates of high price supports focus attention on the role of prices in distributing the national income. They want higher farm prices to give the farmers a larger slice of the national income pie. But prices have more than one function. As country bankers well know, farmers use price prospects in planning what and how much to produce. An attractive price draws out production. Consumers likewise are price conscious in deciding what and how much to buy, only here a high price becomes a repellant.

Prices supported at high levels lead to surpluses. To make them work over a period of time there must be effective controls of production and sale. We did a lot of talking about "adjusting" production by the farm program of the 1930's. Over-all production ex-



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experienced in
developing your
new business oppor-
tunities.

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but he's your man at the Irving!

If you paid his salary, he could not have your interests more at heart. For he knows your point of view, studies your special needs. He and his associates enable you to offer "blue ribbon" banking service to all your customers ... the *extra service* appreciated by so many ... Irving Correspondent Service.

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links you so closely to our full facilities ... to our own experts in all departments of commercial banking and trust activities ... and to other bankers in the U.S. and overseas.

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Domestic Banking Division, NOLAN HARRIGAN, Senior Vice President in Charge

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

panded in spite of acre controls. Even with supports well below the 90 per cent of parity level, supplies mounted. If World War II had not come along the supports would have had to be lowered, or much stronger controls adopted.

Here we may be told that disposing of surpluses outside regular market channels will make output controls unnecessary. A food-stamp plan or other means of helping low-income consumers improve diets are advocated. A two-price scheme involving selling surpluses abroad also is held up as a way to remove surplus stocks.

Using productive resources to satisfy need surely is better than rewarding farmers to keep them out of use. Supplements to diets may represent an investment in improved health and productivity. But do we know how to distribute foods on a sizable scale without reducing initiative and self-reliance of some people and without interfering with the disposal of regular supplies through normal market channels? At best, this is not an unlimited escape from surplus control.

Selling abroad at lower prices than those charged domestic con-



DR. O. B. JESNESS

sumers appeals to many. Unfortunately, there are some mirages in the idea. This becomes a form of international "dumping" against which producers in other lands demand protection. We restrict such shipments to our markets. Besides if we offer products to others at bargain rates, we will be forced to set up barriers against their return and against products made from them.

This takes us back on the road to economic nationalism. Emergency aid to starving people in other lands is one thing; general reliance on dumping surpluses abroad is something else.

The conclusion, therefore, seems inescapable that high price supports must be accompanied by real controls over output and sale. This point is dodged in current political discussions. Office seekers who plump for high supports keep mum about controls, or take the position that they are against restrictions. They do not explain how this miracle is going to be accomplished. Will farmers welcome strong controls? Will such controls help or hinder desirable adjustments? Will they lead to better farming? Will they penalize the good farmer to help the less able? Will they become political footballs?

Bankers and others in some areas have seen how production allotments or quotas tied in with price supports may be bid into land prices. A farm with a good base commands a higher price. This has happened in some tobacco regions and will spread if controls become general. When this capitalization

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takes place, the benefits go to the seller of the land. The buyer has to pay more and this adds to his costs. To the extent this occurs the young man who wants to buy a farm will have to raise more capital in order to do so.

A price support program is not costless. If it interferes with efficient production and desirable adjustments, that is a cost. If prices are raised to consumers it may be difficult to convince Mrs. Consumer that this is not a cost to her. Such a program depends on public funds and so becomes a cost to the taxpayers, including farmers. Politicians who campaign on a platform of "high price supports, no controls and lower taxes" are promising too much.

International Relations Affected

What might become the greatest cost of all is the interference of high price supports with our international relations. We have already seen how supported prices attract imports. We also have seen import restrictions increased to counteract this result. If we follow this route how far do we expect to get with our plea to other nations to open their doors to trade? We already have seen some reactions. What we do speak so loudly other nations do not hear what we say. A high price support program is nationalistic in nature. It may be a luxury we cannot afford in a world where international co-operation is so necessary for enduring peace. In pondering over this point it is well to remember that as the world's leading nation we have great responsibilities in international poli-



Ewing Galloway, N. Y.

"... we ought to get over our inordinate fear of 1932 and plan on prospects which we see ahead rather than on the recollections of nightmares of twenty years ago."

cies and have a vast stake in what happens beyond our own borders.

But what if depression strikes? A fear of another 1932 shows up in the actions of many other groups as well as farmers today. It would be too much to hope that we have seen the end of ups and downs. But 1952 is not 1932. To be sure, farmers have reason to be concerned over upward pressure on their costs, particularly since indications are that many farm prices may have passed their peak. However, a return of anything like 1932 is not in prospect

at this time. For one thing, conditions are not the same. Farmers are in a better financial position than they were in the earlier period. Farm mortgage debt is not much over half of its total thirty years ago even though land prices are higher. Agriculture as a whole has more liquid assets. Banks are in a stronger position than they were in the earlier period. There is reasonable promise of continuing business activity. Another difference is that now we have more programs for dealing with depression conditions. Unemployment insurance will help tide over a period of unemployment. Insurance of bank deposits reduces the fear on that score. We are better prepared to use public works. We understand the role of fiscal and monetary measures better. There is reason to believe that business leadership understands better its part in avoiding depression and producing recovery. In view of this we ought to get over our inordinate fear of 1932 and plan on prospects which we see ahead rather than on the recollections of nightmares of twenty years ago.

Farmers do not cause depressions

(Continued on page 71)

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Remington Rand Methods News

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These contract forms are just one of the many safeguards available in Remington Rand safe deposit control systems — providing swift, courteous service with access security for both customer and company. See folder **KD-491.1** and methods demonstrator **SPKD-1218**.

New machine speeds your photo-copying

You'll find many uses for the Portagraph Copyfix, a new mechanized method which gives you an exact photocopy of any document in less than 60 seconds.

It will save you much clerical time in copying your own records and those of your customers — such as canceled checks, trust statements, duplicate depositor statements, income tax forms, GI discharges, correspondence, etc.

The Portagraph Copyfix method requires no washing or drying, no chemical trays or darkroom. The machine simply plugs into any standard electrical outlet; handles paper up to 14" wide, any length. For complete details, see folder **P-334**.



30% LESS CLERICAL TIME ON TRUST FILE. Four Convé-Filer units, with working capacity of 220,000 punched cards, now house the trust asset records of a New England bank. One girl can work two units from comfortable seated position, filing and pulling the cards for trust transactions. This typical Remington Rand contribution to punched-card methods eliminates the walking, stooping, pulling, squinting and pushing required by stand-up drawer files... raises work output by 30%. See folder **LBV-537**.

Bank employs an outside viewpoint and gets faster reference from fewer files

This bank, you might say, had grown despite the limitations of the files which made up its business memory.

When they called in our Records Consultant, she found many file conditions such as these: Documents and correspondence on same subject held in separate files. Old inactive material held in department files or simply transferred to General File Room. Trade information and general reference material held in department files instead of General File Room where it would be available to all.

Other typical conditions noted in the consultant's report were: Documents misfiled for lack of proper file guides. Folders and drawers too crowded for efficient reference. Drawers which were too small or too large for documents filed in them. Inefficient sorting methods which wasted clerical time.

Her report included detailed proposals for reducing by more than half the number of general and departmental files — to bring related material together and reduce the number of places to look. She also proposed simple, standardized filing methods for all departments — to facilitate the training and transfer of clerks.

Result was that Remington Rand supervised the entire job of reorganizing

this bank's files — without upset to the daily routines — and furnished a complete manual for the newly standardized procedures.

When it was all done, one of the officers publicly stressed the value of bringing in expert advice and the outside viewpoint on bank filing methods. For more information, see folder **BSD-2** and booklet **LBV-396**.

Remington Rand

Management Controls Reference Library
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Please circle literature desired:

KD-491.1 **SPKD-1218** **P-334**
LBV-537 **BSD-2** **LBV-396**

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Smallness Does Not Guarantee Fidelity

For the relatively rare officer or employee who is unable to withstand the temptations which go with his job, audit control is a life-saver. For those who don't need it for protection against weaknesses of their own, it is still necessary as a protection against the weaknesses of others.

By HARRY G. FOX

In Charge of Bank Operations Surveys
The Manufacturers National Bank of Detroit



The surprise cash count should be employed at least once a month.

A FIDELITY HAZARD in a very small bank is still a fidelity hazard. Defalcations have a tendency to occur where there is a lack of adequate internal safeguards, however small the institution might be. Size is important only as a factor to be considered in the determination of the type and degree of audit control required in individual situations.

Small banks have been reluctant to adopt control measures notwithstanding the fact that small bank auditing techniques have been in an advanced stage of development for a number of years. Despite the not too savory record of defalcations in small banks, it is difficult for their officers and boards to detect in the individuals with whom they have been long and intimately associated the slightest reason for suspicion that anything of the kind could happen in their particular bank. A little objective analysis of the situation, however, would inevitably lead to discovery of the fact that in each of the banks which have figured in news of defalcations, precisely that

same attitude has prevailed, and for the same reasons.

A fact that isn't sufficiently considered in dealing with the question of whether or not control measures are adequate to the needs of individual situations, is that such measures are instituted far more largely for the purpose of prevention than for that of detection. And it can never be sufficiently emphasized that the prevention of a defalcation operates not only to preserve the physical assets and prestige of the institution involved, and those of its stockholders and directors, but to avert a lot of human anguish as well. A defalcation not only pretty well destroys the useful life of the culprit; his wife, children, parents and friends—sometimes an entire community—must share the blight. And nowhere is that so true as it is in the case of the small bank in a small community.

Surveys Yield Ideas

So it becomes our unending task to strive for new ways to remove those opportunities which now and then combine with real or imagined

need and confused thinking to give rise to this unfortunate train of events in one of our small banks.

It has been our privilege to make operations surveys in a number of banks throughout the State of Michigan in the course of which we have discovered a number of effective audit and control methods. In many others, we have introduced measures which seemed to us to provide the best available answer to the problems encountered. It is the purpose of this article to acquaint the readers of *BANKERS MONTHLY* with the best of the small bank control procedures which have come to our attention or have been developed in the course of our survey activities.

Much can be accomplished without an auditor by carefully planning a system of dual controls throughout the bank. Fundamental to any such system is the division of responsibility in such a way as to necessitate the handling of each transaction by more than one person. Such a division renders embezzlement impossible without collusion, and wherever collusion is

necessary, an almost impassable barrier stands in the way of anyone momentarily seized by an impulse to dip into the funds entrusted to his care. This principle of divided responsibility, then, will be found to be a predominant factor in the recommended control techniques which follow.

Specialization of Tellers. All commercial and savings teller facilities should be segregated from those of the note teller. Tellers whose functions are thus separated can be charged with the responsibility of auditing each other.

Sole Custody of Cash. Sole custody in itself provides audit control. It should be all-inclusive. In many banks each teller has a separate cash drawer at the window which is locked whenever it is necessary for the teller to leave the window. Relief tellers are also provided with separate cash. At the end of the day each teller's cash is placed under separate lock in a metal box, teller's compartment, an empty safe deposit box, or in some other receptacle that will insure the indispensable factor of "sole custody." The cause of sudden activity in a previously inactive "Over and



HARRY G. FOX

Short" account can be ascertained only by thus localizing responsibility.

Surprise Cash Counts. This practice is one that should be employed at least once a month and without pattern. Many defalcations begin as self-made loans, and the teller who is constantly subject to a surprise check is not very likely to engage in that kind of borrowing. These

counts will also bring to light any concealed shortages arising out of honest errors, which can only lead to serious trouble if too long neglected. In one case, it was found that the teller was concealing differences by pulling the needed bills out of some packaged currency.

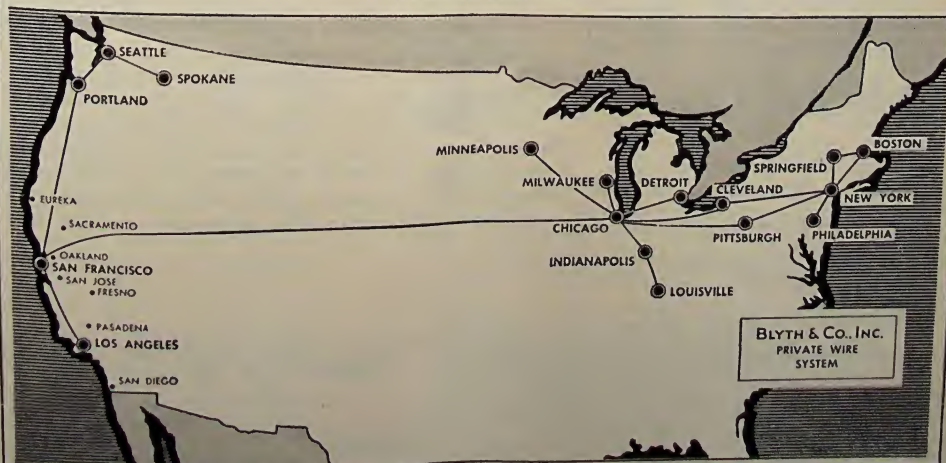
Minimizing Tellers' Cash. This has the principal advantage of reducing the bank's exposure to robbery. It also tends to discourage peculations.

Control of Vault Cash. Such control should be the sole responsibility of the vault teller who should supply and charge out the needs of the other tellers by entry. In a number of banks the contra form is used for buying and selling cash. Vault cash, including coin, should be kept under lock as much as possible. This precaution would have prevented a series of small differences which were traced in the course of one of our surveys to an employee who was helping himself to vault coin which was not properly controlled.

Centralize Cash Items. One teller should be made responsible for the handling of all cash items.

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AFTER MODERNIZATION: First National Bank & Trust Company, Alton, Illinois



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"Before and after" photographs above show how we greatly increased operating efficiency and new business attractiveness of the First National Bank & Trust Company, Alton. One of many features included conversion of small half-balcony into a new mezzanine. Adequate space has been provided to allow for future expansion requirements.

is important to every bank considering new quarters... particularly today!

If your bank has outgrown its present quarters, then it would be wise for you to investigate the possibilities of transforming your *existing* property into bright, modern and efficient quarters. But remember—in order to accomplish this effectively, your designer *must* have a thorough knowledge of the banking business... and the ability to translate this knowledge into functional architecture. Any architect can design pretty offices, but it takes a *specialist*, one who understands your bank's particular needs, problems and requirements for future expansion, to create quarters which will be the essence of efficiency, hold maintenance and overhead to a minimum, and which actually will help *attract new customers*. Our 40 years' experience, plus the combined ability of our vast organization of bank designing and building specialists, has enabled us to produce unusually successful modernization projects for a great number of banks throughout the nation. Write or telephone us—today!

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BANKERS MONTHLY



Monthly rendition of statements provides a comparatively inexpensive form of audit.

Separate Proof Operations. In addition to saving a lot of time, this system substantially reduces the possibility of cash differences by entirely relieving the teller of the proving and sorting of deposits and any involvement of his cash in that operation. Moreover, a separate proof provides a form of continual audit of the teller's work, since control totals are established by another person, and over-the-counter transactions are placed under dual control. If volume does not warrant installation of a proof machine, the block system should be employed.

Rendition of Commercial Statements. We recommend systematic monthly rendition of statements of all commercial accounts. Such rendition should be by mail except in the case of the few customers who prefer to call for their statements, and they should be mailed to the latter, as well, if they are not picked up within two weeks after they are prepared. We favor this procedure because:

1. Customers are enabled to reconcile each month and promptly report any errors or forgeries discovered.
2. It provides a comparatively inexpensive form of audit. While the results are not as positive as those obtained by direct verification, they are ef-

fective. Regularity of issuance is a prime requisite.

3. It relieves the check files,

thereby reducing sorting labor and filing space needs.

4. Reduced number of "call" statements minimizes statement window activity and resulting lobby congestion.
5. Uniformity of treatment accorded all accounts makes possible a more definite cut-off date for record destruction purposes.

Posting of Ledgers. A transaction originated by a teller should be posted by someone other than that teller. This practice provides an important measure of control, and should be followed if at all possible. If not, the posting should be alternated between employees. These recommendations apply to the posting of every ledger in the bank.

Reconciling the Due-From-Bank Accounts. It is important that this be done by someone other than those authorized to sign on the accounts, although the latter may be permitted to do it alternately without an undue amount of exposure. These reconciliations should be made at least monthly.



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Things are moving fast in Oklahoma. And from where we sit we're first-hand observers of the changing local scene. In fact, we're a part of it. Hence, we know and understand the people . . . and they know and understand us. That's one reason for the success of our correspondent service. And a reason why we might serve you better in Oklahoma, too.

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Maybe you want to strengthen your portfolio—or substitute a more attractive issue...

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Here are some of the reasons why: Because we belong to every major securities exchange... Because we have a national network of 105 offices... Because we've linked those offices by 65,000 miles of private wire and can quickly canvass literally thousands of contacts from coast-to-coast for evidence of interest in a given security.

If those facilities can ever be useful to you, either in the sale or purchase of large blocks of securities, we'll be happy to consult with you at your convenience—and in confidence—of course. Simply contact William H. Culbertson, Partner, Sales Division.

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The passbook survey can cover a period of from one to thirty days.

Alternate Commercial Bookkeepers. Where there is more than one commercial bookkeeper, they should be alternated periodically. Each ledger should be under separate control to facilitate balancing.

Overdrafts. All overdrafts should be approved by an officer and followed up to see that they are promptly covered. A monthly examination should be made and the total compared with that shown on the general ledger to determine that all overdrafts have been reported.

Verifying Signatures on Savings Withdrawals. It is considered good practice to have the signatures on all savings withdrawals exceeding some predetermined maximum amount verified by someone other than the teller who paid them.

Passbook Survey. An effective method of obtaining a sample audit of the savings ledger is to have someone other than the savings teller(s) list the account number and balance shown on the customer's passbook on an adding machine tape as of a date selected. The interest date is often used as this listing can then be checked against

the interest run. Such a survey may cover a period of from one to thirty days.

Segregate Dormant Accounts. Infrequent attention and the uncertain status of the ownership of inactive accounts make them especially subject to fraudulent tampering. It is therefore of the utmost importance to segregate and place them under separate general ledger control. Such an account should be returned to the active ledger only when an entry originated by the depositor makes it necessary to reactivate it, and then only upon the authority of an officer of the bank. The officer authorizing such return may indicate his approval by initialing the entry.

Statements of dormant accounts should be mailed periodically to the last known address of the depositor. This will have the effect of verifying many of the dormant balances, of causing some of the accounts to be closed, and reviving others.

Cancel Savings Withdrawal Slips. It is a relatively simple matter to run savings withdrawal slips through a second time. Their can-

cellation promptly following their initial use will remove this possible temptation.

Verify All Savings Interest And Loan Interest Calculations. There are many opportunities for both honest and deliberate errors in making these calculations, and they should be checked by a second person.

Loan Limits. The authority of officers to make loans to individual borrowers should be held within prudent limits as there is danger of a loss of perspective in situations in which the loan officer becomes too closely involved with the borrower over a period of time. With the limits established, a careful check of the note case should be made at irregular intervals to see that they are observed. To facilitate this check, each note should be initialed by the officer making the loan. Such initialing also tends to establish the authenticity of the note.

Safekeeping of Securities. This can be accomplished by placing the bank's securities in its vault under the control of two officers, or by turning them over to a correspondent bank for safekeeping. In the latter case, someone other than the officer handling the investments should verify all safekeeping transactions.

Enforced Vacations. All persons should be required to take at least two consecutive weeks of vacation each year. Any cash remaining charged to an employee at the time of leaving should be turned over to the teller responsible for vault cash to be proved.

Rotating Employees. This is an excellent means of achieving audit control and should be practiced wherever possible. Extended job continuity is conducive to defalcations if the other essential factors happen to be present. Trial balances should always be run by someone other than the bookkeeper directly responsible.

Direct Verification. We have found among the banks for which we have conducted operations surveys, a fear that any attempt at direct verification would unduly alarm or upset customers. While such an attempt would doubtless give rise to some questioning until it is thoroughly understood, the whole subject lends itself very



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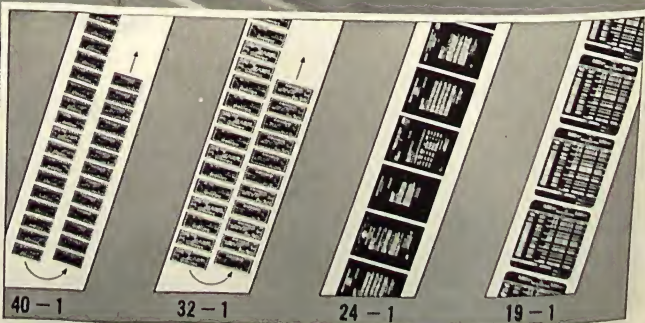
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Now... you can record up to 29,000 check images... up to 10,700 letter-size documents on a 100 foot roll of 16mm. Recordak Microfilm—the greatest number of pictures ever... at the lowest film cost per picture!

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It features a built-in automatic feeder which whisks over 500 checks into the microfilmer per minute; over 200 letter-size documents. And as for convenience—look at the compactness of this new microfilmer... less than 1 sq. ft. of desk space is required... everything's at the operator's finger tips—the feeding tray and the receiving tray, for example, only inches apart.

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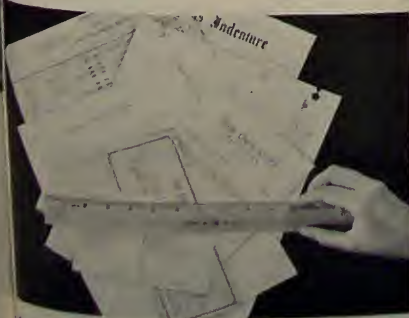
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readily to satisfactory explanation. The sooner a campaign of education regarding the desirability of a system of direct verification is undertaken, the better it will be for all concerned. Certainly, there is much less reason to fear the consequences of such an effort than those of a defalcation which might have been prevented by the adoption of these measures. Wherever it has been tried, customers have been found to be appreciative of the bank's effort to protect them. Direct verification is the most effective method of audit control.

Adequate Salaries. The em-

ployee's salary should be commensurate with both his responsibilities and his needs. If his needs are disproportionate to his income, whatever the reason, the fidelity hazards involved are greater than they should be by just that much.

Finally, over-all responsibility for the successful execution of an audit program should be centered in one individual whose authority should be unquestioned. He should have a definite plan, and every member of the bank's staff should understand thoroughly just where he fits into it, and why. Needless to say, he should be given such clerical and



"Watch this—I'll just bet he's gonna ask for the day off . . ."

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other assistance and support as is necessary to make the plan effective.

A major deterrent to the installation of many of the measures recommended in the foregoing is the fear that they will be taken as an evidence of distrust. There is no implication of suspected employee dishonesty in any part of an audit program. Such a program prevents error, and where errors are prevented there are none to cover up. For the relatively rare officer or employee who is unable to withstand the temptations which go with his job, audit control is a life-saver. For those who don't need it for protection against any weaknesses of their own, it is still necessary as a protection against the weaknesses of others. One of the finer functions of audit control is to protect all employees against unwarranted and unjustified suspicion.

For all officers and employees of every bank, a thoroughgoing program of audit control points the way to safe, sensible banking, and the efforts which are constantly being directed toward the betterment of audit control measures are bringing about the development of ever better operational methods throughout the bank.

We are firm believers in the maxim that for all right judgment of any man or thing it is useful, nay, essential, to see his or its good qualities before pronouncing on the bad.—Thomas Carlyle.



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By CHARLES R. WALDRON
Assistant Cashier, The Third National Bank, Ashland, Ky.

THE INSURING of automobile collateral against theft and physical damage has always been an integral part of retail auto financing. Sound and adequate protection for the borrower and the bank is, of course, the basic requirement. Insurance against these common perils protects the collateral as well as the utility of the loan, and does not burden the budgeted borrower with excessive and unforeseen expense in the form of repair bills.

The importance of this protection is emphasized by the fact that today's repair costs have risen to a point where the average collision claim, countrywide, amounted to \$211 in the early part of 1951, and the costs have since been climbing at an accelerated pace. The hardship to which an uninsured borrower would be exposed in this situation is obvious.

There are many automobile insurance plans from which a bank may choose the one best suited to its needs. An important factor in the determination of that choice is the question of whether or not the bank is using a direct or dealer approach in developing its auto loans. The rulings of the various state in-

surance departments also have an important bearing on the type of coverage which may be best adapted to transactions arising in the respective states. Since our auto loans are originated directly with the public, our insurance needs are confined to those involved in direct lending, and our plan has been simplified accordingly.

We have become acutely conscious of the time-consuming effort involved in handling the insurance phase of automobile lending and, in particular, the expense incurred in obtaining the policies arranged for individual borrowers and checking up on their many details. We distinctly recall an instance in which we found it necessary to engage in five telephone conversations with a local agent in order to arrive at a complete understanding regarding insurance which a borrower wished to place with him.

These are a few of the considerations which prompted us to adopt a master policy for our auto loans. While our borrowers are still free to provide their own coverage if that is their desire, we are relying, for the most part, on our master policy. We find it is especially well adapted



CHARLES R. WALDRON

for use in the case of borrowers who are accustomed to having their insurance arranged for them by the financing agency.

Protection Immediately Effective

An automatic protection provision in this master policy makes the insurance binding immediately upon approval of the auto loan. This gives us absolute assurance that when our check for the proceeds of a loan is given to the borrower, his car and the bank's collateral have adequate and proper coverage even before it is possible to have the policy typed. We were made particularly aware of the need for this feature by the case of the Chicago bank whose customer became involved in a collision before the insurance for which he had arranged became effective. The resulting repair costs were over \$500, and the lack of insurance gave rise to a somewhat embarrassing and difficult situation.

By no means the least of the many advantages the use of a master policy has brought to us is the uniformity of insurance coverage which makes it unnecessary for us to check the various policy forms, expiration dates, ratings of companies and loss payable clauses. Under our specially devised master policy, the bank's copy of the insur-

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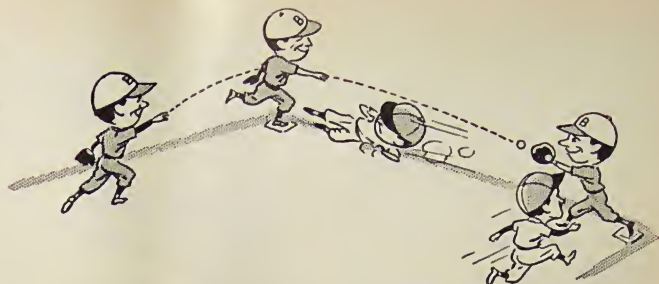
ance certificate is prepared along with the billing of the individual account and becomes a part of the loan file, where it is in proper form for referral, checking by bank examiners, etc.

The "errors and omissions" endorsement, which is provided at no extra cost, is another valuable feature of the protection afforded by our master policy. It simply provides that insurance which the bank plainly intends to place under the provisions of that policy becomes immediately effective, notwithstanding any inadvertent failure of the bank to secure the issuance of a policy or certificate or to report the coverage to the company. Before we had this coverage, the possibility of a costly and embarrassing error or omission was an ever present hazard. It has been our good fortune, however, to escape any actual loss from this source.

Lacking an illustration out of our own bank's experience, I'll use the case of a Pennsylvania bank which has come to my attention, in which an inexperienced clerk had inadvertently failed to request a policy through a local agency. The error was not discovered for several weeks, and only after the borrower had had a fire involving the total loss of his automobile. There are many more instances of a similar nature, with the losses ranging from nominal to total.

Bank Protected If Terms Violated

Another master policy provision protects the bank's interest in the event of a violation of the terms of a policy by the borrower. It is, of course, impossible to control the actions of individual borrowers to the extent necessary to the protection of our collateral at all times. A borrower could, for example, deliberately destroy his automobile in an effort to defraud the insurance company, and such instances occur; or he could convert his vehicle to commercial use by carrying passengers for compensation. Either of these acts would be violations of the terms of policy, and there are many more which could readily give the company ample cause for denying liability on the ground that the risks involved were unknown to the company when the policy was is-



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... that's the play the three B's have perfected—a triumph of cooperation that keeps American enterprise on top! Business would be helpless without Banking, and Banking without Bonding and Insurance Protection, would be too hazardous. All three together assure a thriving economy with a resultant living standard unequaled in any other country.

Modern business technique makes possible the general enjoyment of consumer products which would be luxuries anywhere else on earth. Modern banking helps provide the financial fuel that keeps the wheels of industry turning. And bonding and insurance services constitute a protection for the banks against the losses that result from those latent weaknesses of human nature which nobody can foresee.

We Americans are fortunate in having the three B's on our team!

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sued, and therefore not assumed. Under the terms of our policy, however, payment will be made to us to the extent of our interest in the automobile, whatever the situation may be with reference to the company's liability to the borrower.

Where death or disappearance of the borrower makes repossession necessary, or if, after a repossession, it is impossible to procure the cooperation of a customer and the collateral is found in a damaged condition, the insurance company ordinarily cannot pay a claim to the bank alone for its interest, unless it receives a "hold harmless" agreement which will free it from a possible later claim by the borrower. Under our policy these steps are eliminated through the use of a loss payable clause permitting the company to make payment of such losses to the bank only.

The master policy obviously saves important amounts of time for both the bank and the borrower by eliminating the necessity for discussing and checking a number of details arising in connection with the purchase and handling of each



"Gee, thanks, all the other banks refused me."

individual policy. We are also able to speed up our service through the use of simplified rate charts provided by the company. These charts enable us to compute the insurance premium speedily and accurately at the same time that we quote our finance charge, thereby making a single package of the entire transaction.

The fact that a major portion of our loan business is covered by the

master policy gives us the additional advantage of dealing primarily with one company and one loss adjuster in the settlement of claims. A local insurance agent of many years' professional experience in the community acts as liaison between the bank and the insurance company in issuing any necessary endorsements, clearing claims and countersigning certificates.

With the number of individuals involved thus minimized, the prompt and equitable settlement of all claims is assured, and that is the test of any good insurance program. It is also an important builder of good will, as is well attested by the case of the local army officer who had occasion to file a claim at a time when he was some distance away at an army post in another state. He was so pleased with the settlement obtained at that time that his next loan came to us as a matter of course, and he made a special point of requesting the same insurance he had had previously.

Saving For Both Bank And Customer

In addition to the improved speed and accuracy, greater security and increased customer satisfaction which have grown out of the mechanical advantages of our insurance plan, it has resulted in a considerable saving of money for both ourselves and our customers. The downward trend in auto finance rates which has prevailed for several years past in the face of a distinctly noticeable upswing in operating costs, have made these savings particularly attractive.

To be specific, we have been able to arrange a saving in premium of 20 per cent for our borrowers through a stock company managed by Chubb & Son, Underwriters, of New York City. This saving would amount to \$39 in the case of a 1952 Ford 8-cylinder Custom DeLuxe Fordor, garaged in Ashland and covered for a period of 18 months with comprehensive and \$50-deductible collision insurance. This is the approximate equivalent of 2 per cent on a \$1200 unpaid balance financed for 18 months. A further standard reduction of 10 per cent is allowed on the collision portion of the premium where there is no operator of a passenger car in the

(Continued on page 72)



The first bank chartered under the National Bank Act offers you complete, modern correspondent service. Our basic correspondent policy is cooperation, not competition.



THE FIRST NATIONAL BANK OF PHILADELPHIA

HARRY C. CARR
Chairman of the Board

WILLIAM B. WALKER
President

PHILADELPHIA 1, PA.

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Frank M. Cobb
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Herman L. Vail
Attorney, Sayre, Vail & Steele

John S. Willbur
Cleveland Cliffs Iron Company

Arthur P. Williamson
President, Dill Manufacturing Company

STATEMENT OF CONDITION

June 30, 1952

RESOURCES

(Less Reserves)

Cash on Hand and Due from Banks	\$ 19,218,431.04
United States Government Obligations.	77,674,704.01
(Including \$13,800,000.00 as Lawful Reserve)	
Other Investments	29,548,248.56
First Mortgage Loans on Real Estate	86,875,472.41
Other Loans and Discounts.	35,953,797.68
Bank Premises—127 Public Square	1.00
Bank Parking Lot—W. 3rd & Frankfort Ave..	1.00
Interest Accrued and Other Assets.	4,211,289.00
Total	\$253,481,944.70

LIABILITIES

Surplus	\$ 15,000,000.00
Reserve for Contingencies	2,181,900.00
Reserve for Taxes and Expenses	613,598.41
Savings Deposits	226,206,265.22
Other Deposits	7,120,296.80
Deferred Credits and Other Liabilities	2,359,884.27
Total	\$253,481,944.70



Security and Uninterrupted Dividends to
Six Generations of Savers

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



"Perhaps the most remarkable thing about this training course is that there appear to be no failures."

Full Keyboard Machines Mastered In Ten Hours

A brief course of training in this new method teaches both old and new employees to operate any full keyboard machine. Figure patterns which have been developed through the study of thousands of checks, and a new key setting technique are used.

By D. W. HOGAN, JR.

Executive Vice President, City National Bank and Trust Company
Oklahoma City, Okla.

THE TRAINING SCHEDULE called for two hours a day—one in the forenoon and one in the afternoon—for five days. In this brief aggregate period of ten hours, we were told, inexperienced employees would attain an average proficiency in the operation of full keyboard machines comparable to that of operators with years of experience. Operators regarded as seasoned and expert by previously accepted standards would achieve an improvement of from 20 to 30 per cent.

The method by which these re-

sults were to be achieved had been developed by the research and methods departments of the Monroe Calculating Machine Company, Inc., and bore the trade mark "Rhythm-Add," a technique of full keyboard machine operation acclaimed as the greatest aid to teaching the handling of office machines since the advent of touch typing. The Monroe Company was proposing to supply us with the necessary instructors, together with all teaching material and machines, without cost to us. We were to be required only to

furnish the time of the employees needing the training.

We resolved to give the plan a thorough trial, and are very glad we did. It has proved to be an amazingly satisfactory answer to the personnel problems with which we had been contending insofar as they related to employees in this category.

"Rhythm-Add" training enables an operator to set figures on the keyboard and depress the operating bar in a continuous motion with a minimum of finger and hand movement. Figures are read from left to right and entered in simple combinations of figure patterns.

Based On Figure Patterns

A basic factor in the development of this technique was the study of thousands of bank checks for the purpose of determining all of the essential figure patterns which an operator would encounter in the course of a day's work. A book of exercises containing all of these patterns is an important part of the training program.

To facilitate the training process, so-called "Rhythm Checks" are employed, their amounts comprising figure patterns of five digits or less.

(Continued on page 70)

Here's Why

Burroughs Bank Bookkeeping Machines

Are Preferred in Banks Everywhere . . .

SPEED in form handling . . .

Burroughs patented carriage and self-squaring form guides make insertion of forms an easy, one-hand operation.

ACCURACY in alignment and posting . . .

Direct, visible form alignment permits visibility of previous postings, protecting against "high posting."

EASE of operation . . .

Easy-action keys and new feather-touch motor bars—each with a single basic function—make operation as simple as ABC . . . and fast, *automatic* balances eliminate operator decisions, reduce errors and speed production.

SIMPLICITY . . .

Simplified check, deposit, and balance motor bars—each with a single basic function—make operation as simple as ABC . . . and fast, *automatic* balances eliminate operator decisions, reduce errors and speed production.

FLEXIBILITY . . .

Check lists can be made on separate tape *during* posting run and list totals posted without re-handling any figures. Simple shift of a lever changes from ledger posting to statement posting or balance transfer.



NATIONAL BANK OF DETROIT . . . "With service to our customers the foundation of our success, National Bank of Detroit is alert to increase efficiency at every level of operation," says Fred Mosdale, Assistant Vice President. "In holding to this standard we have found that Burroughs Bookkeeping Machines help materially. We can depend on them to provide faster, easier operation, more efficient paper handling, and many other advantages. Our operators like these machines."



CENTRAL NATIONAL BANK OF CLEVELAND says: "In this period of increasing check volume, the performance of our Burroughs Bookkeeping Machines has more than justified the decision to install them throughout our Commercial Bookkeeping Department. The improved mechanical features contribute to the maintenance of high-volume production, lessen fatigue, improve morale, and facilitate the training of new bookkeepers."



See a demonstration of this banker-approved aid to modern banking. Burroughs Adding Machine Company, Detroit 32, Michigan.

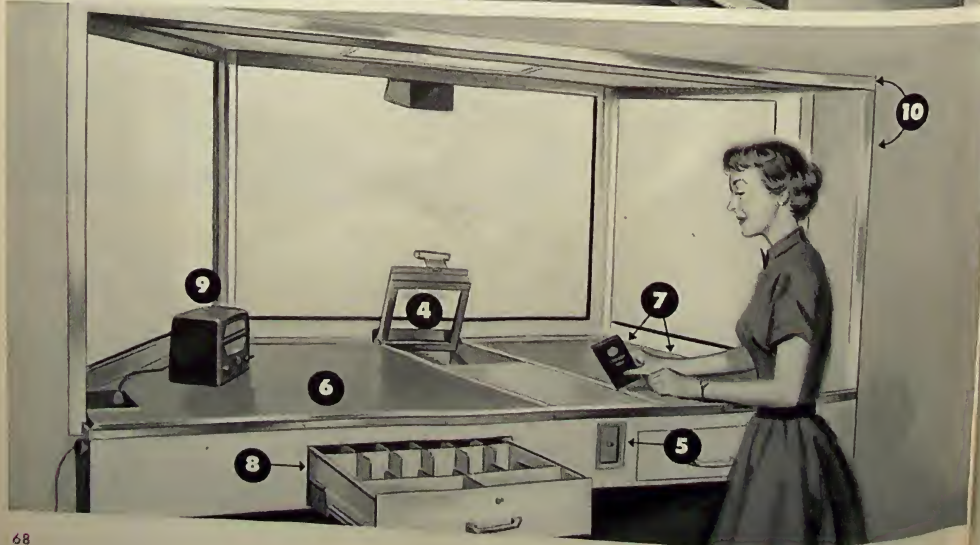
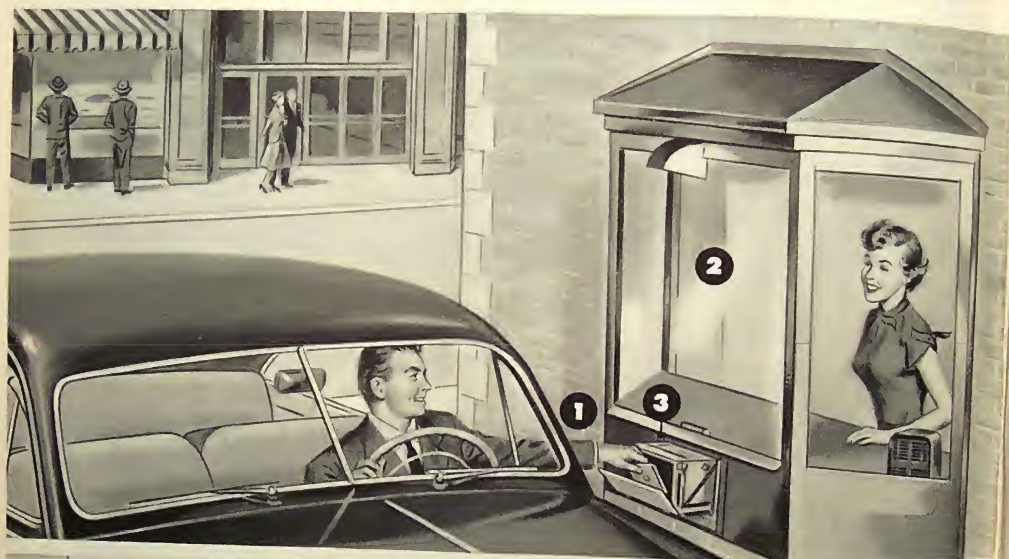
WHEREVER THERE'S BUSINESS THERE'S

Burroughs



ANNOUNCING

A new practical concept of



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Mosler File
No. 950. G
the new Bank
Designed for
jection is no

Concept of Drive-in Banking!

Here are just a few of the advantages you get with the new Mosler Electric Drive-in Window at no extra cost!

- 1 New "easy reach" convenience for customers.
- 2 Full vision for teller and customer.
- 3 New fully automatic "Shuttle" for faster transactions.
- 4 Counterbalanced "Shuttle" lid makes access to deposit receptacle effortless.
- 5 Push button operates "Shuttle" which retracts automatically after 15 seconds. Operates manually in case of power failure.
- 6 New flush counter gives greater working space and provides practical working area under counter.
- 7 Ventilating ducts for warm or cool air make unit comfortable... prevent frosting.
- 8 Convenient right or left-hand cash drawers.
- 9 New trouble-free speaker which is movable to suit convenience of operator.
- 10 Easier and less expensive to install.



Mosler Flush Type Drive-in Window, No. 950. Gives you all the advantages of the new Bay Type Window, shown on left. Designed for installation where bay projection is not desired.

Electric push-button revolutionizes operation and at no extra cost.

YOU'RE looking at the newest, most advanced electrical drive-in window ever designed... the *last word* in modern drive-in service from the *first name* in protective equipment. Take a customer's-eye view of it from the *outside*. Notice the new bullet-proof window that enables full vision of all transactions... the outside speaker... and the new push-button-controlled "Shuttle" that slides out and in, completing transactions with new speed and safety—at driver's arm-level.

Then, take a look *inside*. Notice the simple control which works at the merest touch of your teller's finger... the wide, work-easy counter... movable speaker... and handy cash drawers. See how all this adds up

to faster, more efficient operation for *your* bank.

It's easy to understand, isn't it, how this new Mosler unit can give you all the *proved* advantages of drive-in banking—and a lot more? For such *convenience* builds even more good will, attracts more new accounts. And such *transaction speed* gives you even greater relief from congestion inside the bank... even more help in solving parking and traffic problems.

Why wait any longer for that drive-in window you've been considering? The new Mosler unit can be installed with *less* expense and *more* speed than ever before. Get the full details right away! Mail the coupon below!

Be sure to see the Mosler Drive-in Window at booths 30 to 33 at the American Bankers' Association Convention September 28 to October 1.

IF IT'S MOSLER... IT'S SAFE

The **Mosler Safe** *Company*
Since 1848

World's largest builders of safes and bank vaults... Mosler built the U.S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima

The MOSLER SAFE Company
Dept. BM-9, Hamilton, Ohio

Please send me complete information about the new Mosler Electric Drive-in Window.

NAME _____ POSITION _____
NAME OF BANK _____
ADDRESS _____
CITY _____ ZONE _____ STATE _____

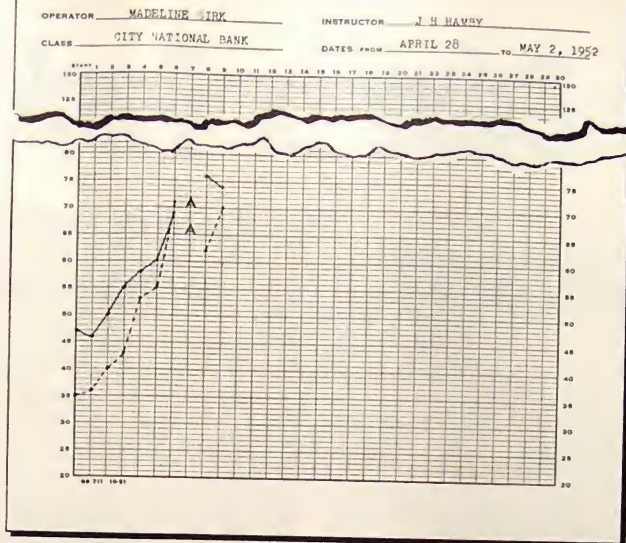
These are used to develop a sense of rhythm, fast reading, and check handling skill. Test checks, the amounts of which represent average business figures, are used to develop both accurate reading and fast handling. For the sake of convenience, Rhythm and Test checks are referred to in classroom vernacular as R- and T-checks, respectively.

We were told that while the size of the class depended somewhat upon the number of employees who could be spared from each department, a class of ten was recommended as ideal, since the instructors would be able to give this number individual attention as needed. It was also suggested to us that the training provided by this course would enable any supervisors taking it to qualify as instructors of subsequent classes. Following both of these recommendations, we had an initial class consisting of eight new employees and two supervisors.

J. H. Hamby and R. C. Reynolds, both of the Monroe Oklahoma City office, conducted this initial class. Ten sessions were scheduled for the hours of 7:30 A.M. and 4:00 P.M.,

Monday through Friday, but the last two hours were canceled because the first-of-the-month load, com-

Monroe Rhythm-add PROGRESS GRAPH



A graph reveals the progress achieved daily by each of the students in the handling of "Rhythm" and "Test" checks.

bined with the additional work brought on by an examination of the bank, made it impractical to continue.

The results, nevertheless, were most gratifying, the class having attained a production of 65 R- and 56 T-checks per minute in the eight sessions—an increase of 48 per cent and 56 per cent, respectively. This average production compares very favorably with that of seasoned bank personnel with years of experience in machine operation.

All Operators Benefited

It has developed that the lectures, exercises and tests comprising this training course are beneficial to the operators of proof and bookkeeping machines as well as those using straight adding machines, and we decided that all employees, both old and new, should have this instruction.

In accordance with this decision we organized a class consisting exclusively of inexperienced employees, and used our own supervisors as instructors. The same remarkable results were achieved. The entire group developed into skilled, accurate and proficient operators in the same short space

Correspondent Service IN MICHIGAN

Manufacturers National Bank invites consideration of its facilities for serving as your Michigan correspondent. Prompt, efficient handling of items is assured through offices strategically located in Detroit, Highland Park, Dearborn and Grosse Pointe Woods.

THE MANUFACTURERS NATIONAL BANK OF DETROIT

DETROIT 31, MICHIGAN

Member Federal Deposit Insurance Corporation

of time as the initial class, maintaining both a high production level and degree of accuracy.

Perhaps the most remarkable thing about this training course is that there appear to be no failures. The operating skill of everyone taking the training improves. And even those who previously felt they had attained their maximum of skill have been able to better it. We can think of no better way to maintain a competent corps of machine operators.

Are Price Supports . . .

(Continued from page 50)

and they find it difficult to adjust themselves to such conditions. We have programs for other sectors of the economy and must not leave the farmers in the lurch. Stop-loss price supports or some form of income aid designed to come into play in a period of this sort will afford very useful protection for agriculture.

Let's not delude ourselves that depressions will be outlawed or halted merely by bolstering farm prices. We have had ample demon-

stration of how dependent farmers are upon activity in the rest of the economy. It is a high level of productive activity and employment in the rest of the economy which supplies a healthy market for farm products for food and industrial uses, an ample supply of things needed by farmers, and job opportunities for rural people not needed in agriculture. No government farm price program can be an adequate substitute for economic stability at a high level.

If depression strikes and unemployment and idle plants again become the order of the day, recovery will come, not from cutting back agriculture and other lines still at work, but in getting the idle men and machines back into production. Government, business, banking, labor and all other lines can help farmers most by doing their own jobs well and by putting forth every effort to get our productive machinery operating in high gear. This means that every group and each individual must accept a share of responsibility for the good of all and not press only for narrow self-

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The whole apple is YOURS!

YOU GET THE ENTIRE COMMISSION ON NATIONAL CITY BANK TRAVELERS CHECKS

When you sell NCB Travelers Checks nobody takes "a bite" out of your commissions. You do not have to share them with anybody else.

You get it ALL—75¢ per \$100.

The sale of NCB Travelers Checks is a banking transaction all the way through. They are sold through BANKS. They are backed by a BANK—the National City Bank of New York. If they are lost or stolen, your customer gets a refund in full from the National City Bank of New York. They are advertised nationally in behalf of banks. Every advertisement directs prospective purchasers to banks, with these words, "BUY THEM AT YOUR BANK".

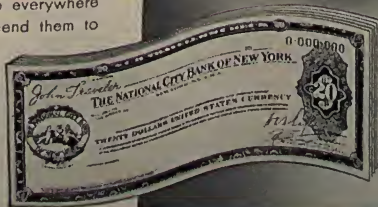
NCB Travelers Checks are safe, spendable everywhere for anything that money can buy. Recommend them to your customers.

THE NATIONAL CITY BANK OF NEW YORK

First in World-Wide Banking

55 Wall Street, New York 15, N. Y.

Member Federal Deposit Insurance Corporation



HOW CRITICAL CAN YOU GET?

While browsing around one of our plants recently, we were quite critical of the design and appearance of the workbenches in the lithograph pressroom. We expressed the view that they were not sufficiently functional, nor did they present a streamlined, sparkling appearance.

With some considerable patience and restraint, the plant manager pointed out to us that (1) the benches were only three years old, (2) they were the same benches we had labeled "the last word" when they had been built, and (3) even if they were rebuilt according to current standards we probably would not be satisfied with them for more than a couple of months.

Such observations, despite their impact, we brush aside with the comeback that what is "tops" today may be outmoded tomorrow. To bear this out, only a few days ago we were photographing our latest workbenches, designed and built for our new Clifton plant, and just in

the short time that has intervened new materials have come on the market that make us wonder whether these unused units are up to snuff.

There was a time when a workbench was a bench, and as long as you could throw things on it and it didn't collapse, it was considered satisfactory. Not so today. Now a workbench is something that challenges the ingenuity of an industrial designer, a production procedure man with a lot of know-how, and a craftsman who can build it and finish it off so beautifully that you wish you could put it in the living room.

While it may seem fastidious to attach such significance to an accessory like a workbench, we hold the view that a business must be properly balanced with respect to securing orders and executing them, and that in their execution the plant facilities must be properly balanced with respect to functional values. That is why we require up-to-the-minute accessories to use with up-to-the-minute machines and methods.

De Luxe
CHECK PRINTERS
Inc.

Manufacturing Plants at:

NEW YORK, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

advantage. That is the best insurance against depression and the speediest road to recovery if depression hits us.

Public policies indirectly play a significant part in activity and stability. However, the claims and promises of political platforms and campaign orators cannot always be taken literally. Government as such does not "give" either prosperity or security. Government depends upon the citizen for its power and means. Prosperity and security do not fall like the manna of old from heaven. They are not created by government fiat. They can be provided only if they are produced by the people. That point needs to be kept in mind in developing farm and other programs. Government exists not as the tool of special groups but as the common agency of all. Public policy must serve the good of all rather than special group interest.

Another very important point to keep in mind is the high degree of interdependence in our modern economy. Prosperity is indivisible.

To have good health, all parts of the economy must be in good health. Farmers need to be concerned with broader questions rather than to put complete reliance on farm price or other special aid programs. They have a stake in monetary and fiscal policies of the government. They are concerned with the policies and programs of other groups. The same is true of all of us. We all should strive to widen our mental horizons so that our actions may be guided by enlightened self-interest rather than follow the blind dictates of short-run, narrow selfishness. Idealistic? Yes. But how do we move forward to improved levels of living unless we follow ideals?

A Large Potential Increase In Agricultural Production

Farm production can be expanded about 20 per cent in the next four to five years merely by a more widespread adoption of presently known techniques. This estimate of production capacity resulted from recent studies by State College and USDA specialists.

It assumes average weather, adequate machinery and fertilizer supplies, and good prices. For Iowa, State College experts have estimated that average corn yields could be boosted from 50 to 85 bushels; oats, from 38 to 65; soybeans, from 22 to 30; and hay from 1.6 to 3.1 tons. Livestock production could be increased also. The larger feed supplies would permit a 25 to 30 per cent increase in output of eggs, milk and meat. Furthermore, a stream of new knowledge flowing from both public and private research can be expected to continue. —Ernest T. Baughman, assistant vice president and agricultural economist, The Federal Reserve Bank of Chicago, in AGRICULTURAL LETTER dated August 8, 1952.

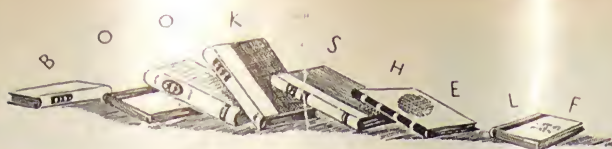
No Slip-ups In . . .

(Continued from page 64)

borrower's household under 25 years of age, or where the car is operated exclusively for non-business purposes.

This saving has become an important merchandising factor in our auto finance program for it provides the means of lowering the over-all cost per installment to the borrower, while maintaining an adequate rate of return to the bank. It is particularly advantageous in dealing with people who are shopping for the lowest possible installment payments. We haven't lost the business of one of these comparative-rate shoppers since the adoption of the policy. The reason for all of this becomes increasingly clear when it is realized that the cost of adequate protection has increased in the course of the past few years to the point where it matches and sometimes exceeds the interest cost of the loan.

Most problems encountered in the course of the day's work present both a challenge and an opportunity. The one dealt with in this article is no exception. We are grateful for the master policy which has been largely instrumental in enabling us to convert this particular problem into an opportunity to provide an indispensable service of superior quality at a relatively low cost. We only wish we were able to do as well with some of the others with which we are contending.



Your Rugged Constitution

By Bruce and Esther Findlay. Published by Stanford University Press, Stanford, California. 282 pages. Bulk price upon application to the publishers.

In November, this year, the American people will vote in an election of tremendous importance. Many of the issues the voters will resolve in this election have their roots in one of the most vital documents ever given to the world—the Constitution of the United States. Between now and election time, the pros and cons of our fundamental law will be threshed out as never before in newspapers and magazines, over radio and television and from thousands of public platforms.

What will all of this mean to the average U.S. citizen? Can he appreciate the deep meaning of "consent of the governed," "separation and balance of powers" or "delegated" versus "undelegated" powers?

Several years ago Messrs. Gordon B. and Allan H. Crary of Los Angeles made a grant to Stanford University to be spent on a study of fundamental American ideals, along with an inquiry into the most effective means of teaching those ideals to American school children and average American citizens. Among other results, this study revealed that few Americans, young or old, really understood the Constitution.

The Findlays' book was written to meet the need indicated by the Stanford University survey. How well it fulfills its purpose is strongly suggested by the fact that it is now in its seventh printing and has been acclaimed by teachers, lawyers, jurists, journalists, labor leaders, patriotic organizations and businessmen as the most effective interpretation of the Constitution ever published. The book has been distributed to employees and customers of hundreds of leading business firms, including many banks.

The manuscript and illustrations were checked with minute care for

accuracy and soundness of interpretation by qualified experts in law, political science and education. The editorial and art preparation expense was defrayed by Stanford University under its American Ideals Program.

Your Rugged Constitution is a tremendously powerful contribution to a better understanding of what the Constitution means to the individual. As such it richly deserves all the circulation patriotically-minded businessmen can give it.

Federal Taxes

Edited by Clifton H. Kreps, Jr. Published by the H. W. Wilson Company, 950 University Ave., New York 52, N. Y. 183 pages. Price \$1.75.

No one needs to be told that federal taxation is a pocketbook problem for individuals and corporations. The government of our United States today takes a larger proportion of the income of the American public in taxes than it has ever taken before—even in times of all-out war.

This fact raises two tremendously important questions: should taxation be designed only to support the government, or is it sound policy to use the taxing power as a social-economic instrument? The book under review here is primarily a reference work, a compilation of the opinions and convictions of recognized authorities. Editor Kreps obviously has made an effort to be as impartial as possible in selecting the arguments of the various leaders of different schools of political and economic thought. The editor is chief of the public information division of the Federal Reserve Bank of New York and well qualified to make the selections incorporated in the book.

The publisher's release describes the book's content as "meaty, worthwhile material." It is all of that for any businessman interested in taxation. And what businessman isn't?

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The Bankers Secretary Notebook



Mosler Safe Co. Introduces New Automatic Drive-In Window

Instant push button control at the teller's fingertips replaces manual operation of the drawer-like deposit and withdrawal receptacle in the new completely automatic drive-in window now being offered by the Mosler Safe Company of Hamilton, O. Deposits or withdrawals can be completed in a matter of 15 seconds, an important factor during peak operation periods. Other features are greater visibility, increased counter space and sharply reduced installation costs.

Desk Model Stapler Handles Heavy Work Without Effort

A compact yet powerful new desk model stapler that can stitch booklets, folders, magazines, maps, blueprints, time cards and perform many other fastening jobs, has been



introduced recently by The Heller Company.

Using the principle of long leverage and combining it with cam-action, the stapler accomplishes heavy work without effort. It is light in weight, takes up very little desk space and has a sure grip rubber cushioned base that cannot mar the finest finish. Drives flat steel

Check What You Need And Mail This Form

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| 4. Bandit Resisting Enclosures and Alarm Systems | 35. Counter Screens | 61. Past Due Notices |
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| 11. Calculating Machines | 42. Doors, Bronze, Aluminum, Stainless Steel | 68. Railings |
| 12. Chairs, Posture, Office | 43. Duplicators | 69. Recorders, Voice |
| 13. Changeable Signs | 44. Expanding Filing Envelopes | 70. Rubber Shams |
| 14. Checks | 45. Filing Cabinets | 71. Safes, Fire and Burglar-Proof |
| 15. Check Book Covers | 46. Forms, Machine Bookkeeping | 72. Safe Deposit Boxes |
| 16. Check Cancelling Perforators | 47. Forms, One-Time Carbon | 73. Safe Deposit Records |
| 17. Check Desks | 48. Forms, Continuous | 74. Savings Banks, Home, Pocket |
| 18. Check Endorsers | 49. Grilles and Gates | 75. Scales, Postal, Parcel Post |
| 19. Check Files | 50. Inter-Office Communicating Systems | 76. Seals, Coin Bag |
| 20. Check Protectors | 51. Interest Tables | 77. Seals, Corporation, Notary, etc. |
| 21. Check Signers | 52. Ladders | 78. Storage Files |
| 22. Check Sorters | 53. Lighting Systems, Fluorescent | 79. Time and Delayed Time Locks |
| 23. Check Sorting Trays | 54. Locking Envelopes | 80. Time Stamps |
| 24. Checking Account Plans | 55. Maps | 81. Travelers Checks |
| 25. Christmas Savings Clubs | 56. Metered Mail Systems | 82. Trucks, Tellers |
| 26. Clocks—Outdoor | 57. Name Plates and Desk Signs | 83. Typewriters |
| 27. Coin Bags | | 84. Typewriter Stands |
| 28. Coin Boxes | | 85. Vaults |
| 29. Coin Changers | | 86. Vault Trucks |
| 30. Coin Counting Machines | | 87. Vault Ventilators |
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| | | 89. Window and Lobby Displays |

THE BANKERS SECRETARY

Rand McNally and Co., 536 So. Clark St., Chicago 5, Ill.

Please have buying information sent us on the items circled above.

Bank

Address

Officer

9-52

ALUMINUM COIN TRAYS

FOR WRAPPED COIN

Installed in more than 10,000

banks since 1922.

WRITE FOR CATALOG

ARTHUR C. TAUCK & CO.

402 Thornden St. South Orange, N. J.

staples 11/64 to 9/16 inches long, that come in long bars and can be loaded from either end of the machine.

Designed for the office girl's use, the new stapler will operate endlessly without attention. Anvil or stitching head is interchangeable and the gate requires no tools to open.

The stapler may also be used to stitch or staple paper, plastics and other materials where ease of handling, portability and space are factors.

Further inquiry regarding this handy product should be addressed to The Heller Company, 2151 Superior Ave., Cleveland 14, O.

Banks Offered House Organ For Women By Ad Agency

That the woman's market is of growing importance to banks is evident from the many highly successful forums held exclusively for women by financial institutions throughout the country.

To offer a means of direct and continuing contact with this large customer potential Salem Kirban Advertising Agency recently introduced and is offering to banks a four page monthly paper carrying news of interest to women.

The agency will publish the inside pages and page four of the paper. The bank has the privilege of naming the house organ and placing whatever message it desires on page one, thereby making the paper an exclusive and personal publication.

Front page copy can be changed every month at no extra cost. Attractively laid out on quality stock, the house organ is printed in two colors on glossy finish paper.

Purchase price for a minimum order of 500 copies is \$45. One thousand copies may be had for \$60.

The Salem Kirban Advertising Agency is located at 4257 North 9th Street, Philadelphia 40, Pa.

Christmas Poetry To Order

Available for those who want Christmas Cards containing poetry tailored to their individual needs or those of their bank are the talents and services of Albert William Perry, sales manager of Guild Sales Organization, 4543 North Wolcott



Miss Arlene Smith, Exchange National Bank, Chicago, Illinois, has this to say about the TODD IMPRINTER:

"It's easy to learn, fun to run, the work doesn't get monotonous."

The Todd Imprinter not only helps sell more checking accounts and increase bank earnings, but employees like to operate it. The work is light, easy and pleasant. The operator can turn out a perfect checkbook *on time, every time*. The imprinting is neat.

Bank customers, bank employees, bank officers are enthusiastic about the work of the Todd IMPRINTER. To get the facts about this time-saving, profit-producing machine, mail the coupon now.



THE TODD COMPANY, Inc.,
Dept. BM, Rochester 3, N. Y.

Please send me complete details about the Todd Imprinter.

Name _____

Address _____

City _____

Zone _____

State _____

By _____

BM-9-52

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LIKE HELP FROM HEAVEN
SINCE 1911

See our latest catalogue for

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- * Coin Counting Machines
- * Coin Sorting Machines
- * Coin Wrappers
- * Bill Straps

ABBOTT COIN
COUNTER
COMPANY

387 WALES AVE., NEW YORK 54, N.Y.
"MAKE ABBOTT A HABIT"

Avenue, Chicago 40, Ill. The cards are supplied complete with envelopes and stiffeners.

A 20-page catalog with a line of cards depicting the American Scene lithographed in six colors may be obtained for review with return privileges by depositing \$1.00.

Pres-To-Line Helps Typist Increase Speed, Efficiency

A device that increases the speed and efficiency of typists, billing and accounting machine operators by



raising material to be copied to a comfortable, eye-level reading position, has been marketed by the Pres-To-Line Corporation of America.

Of particular interest to anyone in a bank who is required to do a lot of typing, the Pres-To-Line consists of a copy holding framework which stands immediately behind the typewriter. Changing the position of work to be typed from an abnormal one at the side of the typewriter to a natural reading position in back of it helps the typist read faster and more accurately with much less effort.

Ordinarily equipped for manual operation, the device can also be fitted with an exclusive foot-operated spacing mechanism whenever it is necessary for the operator to have both hands free.

Fully adjustable to suit each individual operator, Pres-To-Line is available in five widths (14, 18, 24, 28 and 32 inches) to accommodate all general, legal and accounting work.

Address Pres-To-Line Corporation of America, 2339 Cotner Avenue, Los Angeles 64, Calif.

Copyfix Makes Photo-Exact Copies In Less Than A Minute

Copyfix is the name of a new Remington Rand development which in less than a minute makes finished, photo-exact, positive copies of any record from originals up to 14 inches wide in any length.

The machine used in the process is small, light and very compact. With the exception of plugging it into any electrical outlet, Copyfix is self sufficient requiring no special installation or darkroom facilities.

Simplicity itself, Copyfix works in the following manner. The record to be copied is placed face to face with a sheet of negative paper on the printer and exposed. The



How you can establish a LANDMARK in your community



This famous landmark—the 3-story-high four dial Metropolitan Life Insurance Co. clock was manufactured by us.

These unique clocks are LANDMARKS in New York City, Chicago, Des Moines and Boston. They revolve continuously, making two complete revolutions a minute—2880 a day.

Attention-arresting, dignified Bank Advertising coupled with CORRECT TIME* as a friendly community service night and day.

We have been manufacturing standard and specially designed indoor and outdoor clocks and clock systems for more than 65 years. Our experience is at your service and we will cooperate, gladly, with your architect or engineer.

*Naval Observatory Time

SELF WINDING CLOCK COMPANY, INC.

207 Willoughby Ave., Brooklyn 5, N. Y.

Allison

**COUPON
COMPANY
INC.**

IT'S A GOOD IDEA

... to advertise for new and repeat Time Sales business in your Payment Coupon Books. You reach your best prospects—your customers. The cost is small. And your message is sure to receive the right attention.

Inserts, placed in timely positions between coupons, will do the job effectively and make your Payment Coupon Book an invaluable selling medium as well as a collection form.

Samples of what we have done for others will be sent upon request. Write to head office: Indianapolis 6, Indiana.

original and exposed negative are then removed from the printer and the latter paper, together with a



sheet of positive paper, is placed in the Copyfix.

In about ten seconds, the two sheets will emerge from the rear slot of the machine. Peel them apart and the result is a perfect positive copy for immediate use.

For additional data about this quick, economical method, write to Remington Rand Inc., 315 Fourth Avenue, New York, N.Y.

CHANGEABLE BULLETIN & DIRECTORY BOARDS and DESK NAME PLATES



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ACME BULLETIN CO.
37 E. 12 St. N. Y. 3, N. Y.

NEW H TYPE

BROOK'S RED CAP COIN BAG SEALS

TRADE-MARK

- Winning Wide Acceptance as the Modern replacement for regular solid seals
- Red Cap Seal grips tight
- Can't tear bag — can't slip
- Provides fastest, most secure seal
- Less pressure required — Easier to seal
- Unremovable without cutting cord
- No new dies or tools required
- Less weight, less cost to ship



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Others Pending

Write us
for more
details
TODAY!

Try this amazing new "H" Type Red Cap Seal by Brooks. Developed by our Research Dept. to lower consumer costs — with the same Brooks protection as before. Compare it for features, for weight, for speed and ease of sealing. Note how it protects your bags

from damage as well as tampering. Where other types simply hold seal in position, Brooks goes further — gives full and complete protection against shippage or removal. And you have the added safety of extra-strong Grade A Cord. Brooks seals fit all size bags.

E.J. Brooks Company

Protecting Industry Since 1873

177 North 13th Street

Newark 7, New Jersey

September, 1952

New Combination Desk-Cabinet Takes Acrobatics Out of Filing

A combination portable steel desk and filing cabinet that eliminates the need of filing in a stooped or cramped position and thus immeasurably increases personnel efficiency, has been introduced by Steel Parts Manufacturing Corp.

Designed for all purpose office utility, the popular new Desk-O-File is made of heavy gauge all steel construction and comprises two filing cabinets and one desk top.

Assembly requires just a matter



AT THE CONVENTION?

BUT AT YOUR SERVICE—

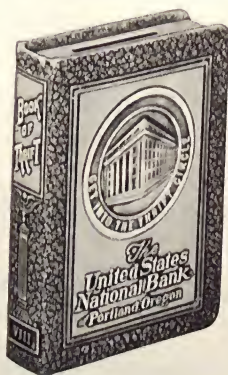
Sorry, not this year.

ALWAYS.

"Serving the Banking trade since 1913"
Encourage savings this easy way.

DELUXE BOOK SAVINGS BANK

A borrow-proof bank that takes all sizes of coins and currency. Available in many attractive colors and several cover designs.



ADD-O-BANK

The wonder bank that adds nickels, dimes and quarters and registers the total! Attractive and eye catching in Tu-tone colors and chrome. Your bank's name in gold bronze on top.



Catalogue and prices on request.

The Companion Companies
BANKERS UTILITIES COMPANY, INC.
STEEL PRODUCTS CORP. OF CALIFORNIA
266-88 FIRST STREET
SAN FRANCISCO 5, CALIFORNIA

of minutes and best of all, can be done without the aid of tools. Desk-O-File is available in both letter and legal size cabinets. The former, with desk top assembled, measures 52 inches long by 27 1/2 inches high by 18 1/4 inches wide; the latter, with the same dimensions in height and width, is 58 inches long. Desk-O-File is available in green, grey and walnut and is delivered complete with large rubber casters for easy movability.

For further information and catalog write: Steel Parts Manufacturing Corporation, division of Blackstone Manufacturing Company, 4630 West Harrison Street, Chicago 44, Ill.

Replica of Spuriscope Offered As Bank Advertising Medium

An inexpensive pocket calendar with a built in miniature replica of the Spuriscope, counterfeit bill detector, is now being offered as an advertising medium for banks.

The miniature Spuriscope, like the larger molded plastic device, has a dial face similar to that of a telephone. To check the genuineness of a bill of any denomination, simply dial the bill's serial number. Two letters will then appear in a little window on the face of the Spuriscope. One of these letters must correspond with the check letter on the bill or the money is counterfeit.

Manufactured and distributed under recently acquired license by the Economy Novelty & Printing Company, the little calendar measures 3 1/4 inches by 5 inches. Space

BANKERS MONTHLY

is provided on the face of the calendar for the advertiser's name and message.

Address the company at 225 West 39th Street, New York City, for additional information.



Ionia "Safe-Tee" Folding Chair Won't Tip, Slide or Upset

Safety features even in chair construction are always desirable. With this in mind, the Ionia Manufacturing Company is offering a folding chair that won't tip, slide, upset or fold even if a person stands on the extreme front or rear edge of the seat.

In banks where meeting rooms are made available to groups as a good will gesture, a supply of this type of chair could prove very helpful both in protecting the benefactor and providing comfort for the user.

Four "Safe-Tee" models are available: an all-steel indestructible folding chair with electrically-welded frame; a folding chair with veneer seat and steel back; a folding chair with steel back and padded seat; and a deluxe up-

TELKEE

MOORE KEY CONTROL

Key Cabinets, Filing Cabinet Trays, Desk Drawer Inserts, Key Panels for Every Size Including Tags, Receipts, Index Cards, Key Envelopes, etc.

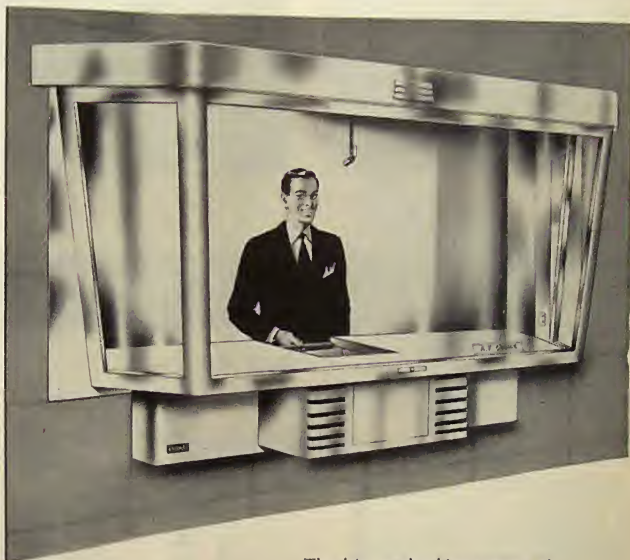
P. O. MOORE INC.

41 E. 22nd St. New York 10, N. Y.

ANNOUNCING

An important development in drive-up banking

—by **Diebold**



The drive-up banking counter pictured above is important news to progressive bankers everywhere. It is the result of five years of research and development by Diebold, pioneer in Drive-up Banking.

It incorporates more than 30 specific advantages both for depositors and bank personnel. Only Diebold offers a counter so functionally sound and so completely in harmony with present-day bank architecture. Its 80-inch expanse of bullet-proof glass, complete counter visibility and many other features including motorized deal tray will interest you and please you.

The design of this new series reflects the accumulated experience of 486 bankers with backgrounds in drive-up banking. Their suggestions helped Diebold engineers produce this new series in three sizes with optional accessories to meet every requirement.

This important forward step in drive-up banking is new evidence of Diebold's traditional leadership in banking equipment. Let your Diebold representative give you the complete story.

Diebold

INCORPORATED

Pre-eminent since 1859 **York**

For additional information write to Diebold, Inc.
2048 Mulberry Rd. S. E., Canton 2, Ohio

BANK VAULT DOORS • SAFE DEPOSIT BOXES • RECORDS SAFES • CHESTS AND SAFES
DIEBOLD-McCLINTOCK ALARMS • NIGHT DEPOSITORIES • DIEBOLD-McCLINTOCK VAULT VENTILATORS

holstered folding chair with spring seat.

The company, which is located in Ionia, Mich., will be happy to send illustrated material upon request.

Executive Desk Styled For Comfort And Appearance

Executive Furniture, Inc., is the manufacturer of the trim #500 Series Desks, one of which, the #500 Senior Executive Desk, is featured herewith.

The visitor approaching the desk from this the front side would immediately note the matched pencil stripe veneer panel facings, and the very spacious top. Measuring 36 by 77 by 1¾ inches, the top affords



more than ample work room for the busy bank officer.

Massive solid walnut sled type feet, chamfered on the inside for extra foot room give the solidly constructed desk adequate support.

The rear of the desk is equipped with a double file drawer, six box drawers, two pencil and clip trays and two secretary slides. All hardware pulls and knobs on the drawers and trays are solid brass. A tough, full bodied hand rubbed finish applied to the Executive Series enhances the attractiveness of this model.

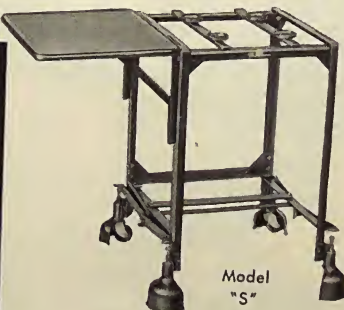
For additional information, contact Executive Furniture, Inc., 911 South Walker Avenue, Oklahoma City 1, Okla.

TIFFANY STANDS EVERY TEST

That's why it's first choice
for safety, strength—for efficiency, economy

If you're looking for a stand to safely hold and protect your costly office machines, buy Tiffany. You'll find Tiffany stands every test... it's the one stand that is precision-built to provide a safe foundation for practically every type and kind of portable office machine.

A Tiffany Stand, with its many safe, silent, strong features, lasts longer... actually costs less per year of service.



Model
"S"



Model
"S-Biller"

TIFFANY
STAND CO.
POPLAR BLUFF, MISSOURI

At Better Stores...
Write for Literature

A Lightweight Vacuum Cleaner That Performs Many Services

The good a few turns with a versatile vacuum cleaner can do in your bank after customers have made a busy day of it for staff and furnishings alike, almost has to be seen to be appreciated.

For those who haven't had that opportunity however, a quick look at the set featured on page 81 may give you some idea of its ability to meet any small or intermediate cleaning assignment.

Equipped to handle wet or dry pickups with equal skill, this lightweight model features as one of its important new changes, a rede-



"DESTRUCTION OF OLD RECORDS SIMPLIFIED"

... Say Bankers!

The Central National Bank, of Columbus, Nebraska, used to burn its old, confidential records—a tedious, time-consuming task. A Shredmaster Shredding Machine solved the problem:

"We have found that the Shredmaster... destroys records effectively. Using it only two or three hours a week... we keep up with our destruction schedule. It... is a machine of considerable value to our Bank."

H. L. Burdick, President
Central National Bank

Only the SHREDMASTER offers all these valuable features:

- ▶ Cuts confidential records into unreadable shreds... quickly, easily.
- ▶ Saves time and labor costs.
- ▶ Gray finish harmonizes with other office equipment.
- ▶ Works quietly, without litter or dust.
- ▶ Safe to operate... all moving parts enclosed... complete safety devices.
- ▶ Anyone can operate it... simple switch control.
- ▶ Almost no upkeep... needs no sharpening under normal constant use for about 1 1/2 years.
- ▶ Turns waste into profit. Shredded material can be sold for packaging.

SHREDMASTER

Shredding Machines

a product of—The Shredmaster Corporation
Division of Self Winding Clock Company

"Senior" Table Model Shredmaster 32 1/2" x 25" x 19 1/2"
Weight: 300 lbs.

also available, "Junior"
Table Model 14 1/2" x 16"
x 12" Weight: 52 lbs.
Heavy-duty floor Model
45" x 22" x 47" Weight:
800 lbs.



For complete information, mail coupon today.

The Shredmaster Corporation
205A Willowhatch Ave., Brooklyn 5, N. Y.

☐ Please send literature.

Name _____
Company _____
Street _____
City _____ Zone _____ State _____

signed tank with full 5 gallon capacity.

The machine weighs only 36 pounds and is easily moved about on a rubber ball bearing swivel caster and two fixed rubber wheels, simply by pulling on the rubber hose. A handle on top permits hand carrying, if desired. The cleaner is powered by a 3/4 hp., 115-volt universal AC or DC motor.

Standard equipment includes: 8 foot by 1 1/4 inch flexible vac hose, 2-pc. curved wand, fabric type filter, 12 inch floating brush floor tool for rugs and carpets, 9 inch brush tool for bare floors, 5 inch upholstery tool and a flat fibre nozzle. Included in the wet pickup kit as extra equipment is a glass wool filter, complete, two filter refill discs and a 9 inch squeegee tool.

For more complete information, write Multi-Clean Products, Inc., 2277 Ford Parkway, St. Paul 1, Minn.



"Well, to be quite honest, I wish to go on a shopping spree."

SPEED AND BEAUTY

NOTE:
Exclusive
storage box
and top
tray,
both easily
removed.



Holds \$125—
1c to 50c.

MP Jr.

STREAMLINED

COIN CHANGER

"The Lowest Priced Modern Changer"

- Now more than 2500 satisfied users—banks, savings-loan, theatres, stores, ticket offices.
- Sturdy aluminum—gray hammertone finish.
- Compact, 8" x 10" x 6 1/4"—Weight 9 lbs.
- Trouble-free—all parts and workmanship unconditionally guaranteed.

\$63
plus tax

AT BANK AND OFFICE
SUPPLY DEALERS ONLY—

(Model 1107 with silver dollar key—\$70, plus tax)



New ROLL-OUT BASE

Converts any MP Jr. to low cost, roll-out unit, where speed is essential. A boon to tellers and cashiers (especially women) for easier, faster coin handling.
\$2250 extra plus tax.

OVER 400 MP Jrs. IN USE
BY ONE LEADING
WESTERN BANK CHAIN.

SEND FOR ILLUSTRATED BROCHURE

METAL PRODUCTS ENGINEERING, INC.
4000 Long Beach Ave., Los Angeles 58, Calif.
Send literature on MP Jr. and nearest dealer's name.

Name _____
Address _____
City _____ State _____

Field Warehouse-minded bankers make more loans and more profits

PERHAPS you could have said "Yes" to a number of those *not*-granted loan applications. Did you consider supporting them with field warehouse receipts?

Today many banks make a point of considering field warehousing in connection with *every* inventory-supported loan.

In literally hundreds of cases each year, the security of Lawrence Field Warehouse receipts leads to an extension of credit which would not be granted otherwise.

Bankers also prefer Lawrence experience, Lawrence financial strength and Lawrence legal liability and bond coverage—the best and strongest in the industry.

Next time inventory figures in a loan application, consult with your local Lawrence office.



LAWRENCE SYSTEM

Nationwide Field Warehousing

FACILITATES LOANS AGAINST INVENTORY

SAN FRANCISCO, 37 Drumm St.

CHICAGO, 100 N. LaSalle St.

NEW YORK, 72 Wall St.

Offices In All Principal Cities

Banks and Bankers



SIMPLICITY AND DIGNITY characterize the design and setting of the boards which the Republic National Bank of Dallas is now locating along high-traffic arteries leading into the city. Fred F. Florence, center, president of the bank, is shown turning on the sprinkler system on the grounds of the newest installation. J. Lowell Lafferty, left, vice president and creator of the design, and George J. Watts, right, assistant vice president in charge of public relations, are shown with Mr. Florence.



Dorothy M.
Armbruster



Jeanne Bradley

addresses on topics of widespread professional interest, round table discussions, election of officers and social activities—women bankers will have new evidence of the now well established fact that the gentler sex is able to hold its own in the ranks of bank executives.

Among the promotions recently announced were those of Dorothy M. Armbruster and Jeanne Bradley to the positions of vice president and

NABAC Convention Program Taking Shape

Speeches and panels that will be "hard hitting, interesting and factual treatments of our major fields of interest," are promised delegates and visitors to the 28th Annual Convention of The National Association of Bank Auditors and Comptrollers, to be held in Milwaukee, Wis., from October 27 to 30 this year.

An announcement by Stanley E. Bennett, cashier of the First Wisconsin National Bank of the host city and program committee chairman, further states that plans for an accounting panel include a discussion of the value of accruals as an aid to management and its advantages in computation of costs; general ledger accounting; payroll accounting—manual and mechanical; and accounting for securities and investments.

A half day on auditing will fea-

ture such subjects as: The value of self audit questionnaires; basic internal controls; audit of savings accounts and the collection department; and a discussion of the part time auditor.

An entire afternoon will be devoted to personnel and to timely tax topics.

A session on bank operations and bank costs will round out the three days of technical discussions.

Promotions Unofficial 'News' At Bank Women's Convention

This year's convention of the Association of Bank Women, to be held in Atlantic City, N.J., September 25 to 28, inclusive, will be a significant one for a reason which will not appear on the official program. In addition to the important traditional business of the convention—ad-

EXPERIENCE

SERVICE

COOPERATION

Manned by officials with years of experience, our Correspondent Bank Division renders a complete service, conducted in an intimate and personalized manner.

Cooperation is our guiding policy.

The
Public National
BANK AND TRUST
COMPANY OF NEW YORK

Established 1908

Member: New York Clearing House
Association, Federal Deposit
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BANK SIGNS PLASTIC - WALNUT - BRONZE

Custom Made

Plaques, Honor Rolls, Memorials, Stick-outs, Directional, Legal Holiday Signs, etc.



GRILLE PLATE—INSERT TYPE Model A-3

Special Plates for grey metal & walnut furniture.



"Largest assortment of plastic desk name plates in the world."

WALTER E. KUTCH CO.

18229 W. McNichols Detroit 19, Mich.

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BISHOP'S SERVICE, INC.

founded 1898

Outstanding for Special Reports on Corporations, Firms, and Individuals. Continuous Service to Banks and Their Customers for over 50 Years. Specialists on Background Investigations; Special Situations; Confidential Assignments.

Special contract rates to banks

76 Beaver Street,
New York 5, N.Y.

Digby 4-6670



Beulah Mai Elliott



Bess B. Stinson



John J. Harrington



Frank R. Alvord

assistant treasurer, respectively, of The Bank of New York. Miss Armbruster is one of the very few women ever to achieve the title of vice president in a major banking institution in New York. Miss Bradley earned her promotion through efficient service as personnel director of the same institution.

Another bit of news of the same general nature was the appointment of Beulah Mai Elliott as assistant cashier of the First American National Bank in Nashville, Tenn. Miss Elliott, who has been identified with Nashville banking for 25 years, is the first woman to be appointed to an executive bank position in that city. Among other recent promotions was that of Katherine Dorrian, who was elected assistant cashier of the El Paso National Bank, Texas.

In the Southwest, the First National Bank of Arizona has appointed Bess B. Stinson to head a new special service department for women. Miss Stinson, former president of the Arizona State Federation of Business and Professional Women, will make her headquarters in Phoenix and will conduct finance forums designed to familiarize prospective women customers with bank functions generally and with the services of the First National in particular.

DOUGLAS A. FREETH, a former vice president of the Marine Midland Corp., in charge of the Midland Time Plan department, has been elected a vice president of Marine Trust Company of Western New York, Buffalo, N.Y. IRVING A. BARRETT has succeeded to the position formerly held by Mr. Freeth.

THOMAS HILL, former president of the First National Bank in Trinidad, Colo., has been elected vice president of California Bank, Los Angeles, Calif.

The Beneficial Saving Fund Society, Philadelphia, Pa. recently announced the advancement of JOHN J. HARRINGTON, associated with the society since 1932, from vice president and secretary to senior vice president.

Citizens National Trust & Savings Bank of Los Angeles has announced the election of F. R. ALVORD, vice president of the bank since 1929, to the position of senior vice president.

FRANCIS A. FISHER and ANDREW J. LEE were recently promoted from assistant cashier to assistant vice president of The Detroit Bank, Detroit, Mich. THEODORE A. DAUER, JAMES R. HALL, and ALBERT A. SHEPHERD were elected assistant cashiers.

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ALBERT CHARLES BARTLETT, a former vice president of the Citizens Trust Company in Portsmouth, Va., has been elected a vice president of The Bank of Virginia, Richmond, in which capacity he will be identified with that bank's Portsmouth office. EDWIN E. MATHEWS, an assistant cashier in the Portsmouth office has been promoted to assistant vice president.

California Bank, Los Angeles, has announced the following promotions: From assistant vice president to vice president: GLENN B. GOSSETT, F. S. HUBER, A. O. OTSEA, A. R. PUCHNER, and GUSTAV RIEDLIN; from assistant cashier to assistant vice president: G. J. CARTER, J. W. FROMM, J. W. KENNEY, E. S. LILJEBERG, C. F. SCHWAN and L. C. SMALL. Also advanced to the office of assistant vice president were G. J. HOSKIN, former manager of the bank's credit department, and O. G. KEIPER manager of its Whittier and Indiana office. J. R. VAN DER ZEE was elected assistant cashier.

RUDOLPH J. ALBRECHT has been elected an assistant trust officer of the City National Bank & Trust Company of Chicago.

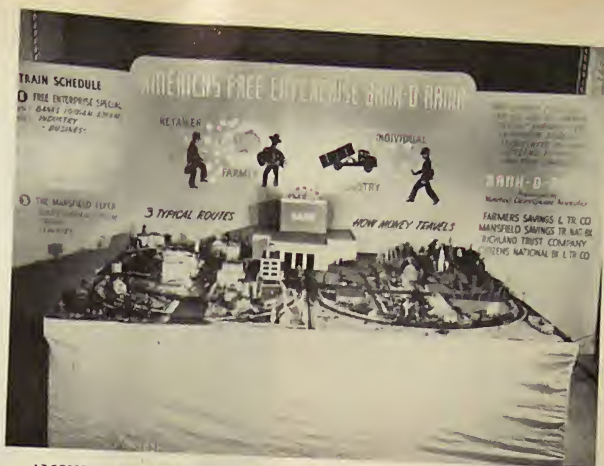
Auditor HUGH A. DAVIS of the Pullman Trust & Savings Bank, Chicago, recently received the added title of comptroller.

Irving Trust Company, New York, N.Y., has announced the advancement of EDWIN M. SMITH, a former assistant vice president, to the office of vice president. WILLIAM B. PLATE was also elected a vice president. JOHN F. LAWLOR and RICHARD I. PALMER were advanced from the office of assistant secretary to that of assistant vice president. ROBERT W. ADAMS, GEORGE J. ADRIANCE, FREDERICK H. BROWNELL, JR., ERIC O. FREUND and PAUL E. QUANTZ were elected assistant secretaries.

KING CLEVELAND and TRAVIS F. STARR were recently elected to the positions of assistant trust officer and assistant cashier, respectively, of Citizens & Southern National Bank, Atlanta, Ga.

National City Bank of Cleveland, Ohio, has announced the election of JOHN HILDT as vice president.

September, 1952



AMONG THE THREE PRIZE-WINNING BOOTHS at the recent Mansfield, O., Freedom Fair was the animated "Bank-O-Rama" display of the Mansfield Clearing House Association depicting the vital part banks play in keeping the American system of free enterprise alive and healthy. The upper portion of the display pictured industry, the farmer, retailer and individual pouring deposits into a hopper labeled "Bank" while the lower portion showed three small trains carrying the loans which help build homes, stores, factories and which supply agriculture with seed, live stock, land and buildings. The prize winners were selected by the Mansfield Advertising Club.

Holder of Charter No. 12 issued under the provisions of the National Bank Act, The First National Bank of Erie, (Pa.), is this year observing its 100th Anniversary. At an open house held on the evening of July 28th, the 160 members of the bank's staff wore costumes of

the period in which the bank was founded as the private banking house of M. Sanford and Company. Present chairman of the bank's board is WILLIAM SPENCER, grandson of its first president. ROY C. MAUER, who started with the bank as a messenger in 1916, is president.

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Monetary Policy Department Timely New ABA Project



Dr. E. Sherman Adams

The Department of Monetary Policy to be set up next year by the American Bankers Association should prove an important and timely addition to the many A.B.A. programs designed to be of specific value to the banking fraternity. The department will be in operation as of January 1 and will be headed by Dr. E. Sherman Adams, assistant vice chancellor of New York University and widely recognized in banking circles as an authority on money and credit.

In announcing the new program, Harold Stonier, executive manager of the A.B.A., pointed out that federal debt management problems, combined with the Treasury's power to recommend not only the amount but the kinds of taxes to be raised by the government, now have an unprecedented effect upon money supply and credit. To put the situation briefly, the Federal Reserve System is no longer the chief agency concerned with monetary policy and the total quantity of bank credit.

The impact of this development, said Mr. Stonier, has been far reaching in recent years, "not only upon commodity prices and the volume of production and employment, but also upon the operations of the banks themselves, including their ability to attract and maintain the private capital that is essential to the chartered banking system."

Mr. Stonier cautioned, however, that the new department is not intended to be an investment service to bankers, "but rather a department that will be of help to other sections of the association and to its members and those who represent it before Congress in the development of information and opinion on monetary policy and its practical effect upon banking and economic conditions."

County Trust Company, White Plains, N.Y., has announced the following promotions: JOHN J. IRISH from assistant vice president to vice



Elmer E. Schmus, First National of Chicago's vice president and cashier, greets James H. McDonnell, first customer of the bank's new consumer credit department.

First of Chicago Enters Consumer Credit Field

Installment credit news of the first magnitude broke with the announcement some weeks ago of the establishment of a consumer credit department by The First National Bank of Chicago. In a joint statement made previous to the opening, Edward E. Brown and Homer J. Livingston, chairman and president, respectively, emphasized the great

importance of installment selling as an influence in raising and maintaining this country's standard of living. "We feel," they said, "that the steady progress made in bank services and facilities necessitates making credit available to more people in our community in order that more may take advantage of the opportunities for better living."

president; HARRY W. BAUM and WALTER KORNTHEUER to assistant secretary; MARTIN MILLER to assistant treasurer.

American National Bank, St. Paul, Minn., has announced the election of MERLE V. STONE as comptroller.

SAMUEL COCHRAN, JR., since 1949 an assistant vice president of The Bank of New York, has been promoted to vice president. Other promotions announced included that of EDWARD B. MCGEORGE, JR., from assistant secretary to assistant vice president; ELLIOTT AVERETT, from assistant treasurer to assistant vice president; FRANCIS THOMAS WARD, JR. and WILLIAM ANDOLSEK to assistant treasurer.

The Public National Bank and Trust Company of New York has announced the promotion of RAYMOND J. CLARK from assistant vice



Samuel Cochran, Jr.



Raymond J. Clark

president to vice president. THOMAS J. EICHLER, formerly an assistant cashier, was advanced to assistant vice president and RAYMOND J. LUDWIG, supervisor of the credit department was elected an assistant cashier.

Seattle-First National Bank has announced the advancement of EDWARD WEST, JR. former assistant trust officer, to trust officer. WILLIAM M. POTTER was elected assistant trust officer at the bank's main office.

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Announcement was recently made by the *Security-First National Bank of Los Angeles, Calif.*, that A. G. SCHWEIGER and W. NORMAN KEANE had been elected assistant vice president and assistant cashier, respectively.

GEORGE D. SCHWEIGERT has been appointed an assistant vice president of *United States National Bank, Denver, Colo.*

Wilmington Trust Co., Wilmington, Del., has announced the elec-

tion of LAMMOT DUPONT, JR., former assistant treasurer, as vice president.

HERBERT M. BATSON, executive vice president of *The South Shore National Bank of Chicago*, was recently made a director of the bank.

Former Assistant Cashiers WILLIAM J. SULLIVAN and ROBERT C. POLLOCK have been made assistant vice presidents of the *West Hudson National Bank of Harrison, N.J.*

Corn Exchange Bank Trust Co., New York City, has announced the promotion of JOSEPH J. PERRY to the office of assistant vice president.

ROBERT J. MCGINTY has been elected an assistant secretary of the *Chemical Bank & Trust Co., New York, N.Y.*

At *Girard Trust Corn Exchange Bank, Philadelphia, Pa.*, CARLO C. BOSI, JR., and STEPHEN S. GARDNER, both of the commercial department, have been appointed assistant treasurers.

CALENDAR OF EVENTS

AMERICAN BANKERS ASSOCIATION

Sept. 28-

Oct. 1—78th Annual Convention, Atlantic City, N. J.

Nov. 13-14—Mid-Continent Trust Conference, Adolphus Hotel, Dallas, Tex.

STATE ASSOCIATIONS

Oct. 19-21—Kentucky, Brown Hotel, Louisville.

Oct. 19-22—Iowa, Hotel Fort Des Moines, Des Moines.

Nov. 10-11—Nebraska, Lincoln.

Nov. 20-22—Arizona, Arizona Biltmore, Phoenix.

OTHER ORGANIZATIONS

Sept. 21-24—Robert Morris Associates, Annual Convention, Nicolet Hotel, Minneapolis, Minn.

Sept. 25-28—Association of Bank Women, Annual Convention, Hotel Dennis, Atlantic City, N. J.

Oct. 20-23—Financial Public Relations Association, Annual Convention, Hotel del Coronado, Coronado, Calif.

Sept. 29—Mortgage Bankers Association of America, Annual Convention, Conrad Hotel, Chicago.

Oct. 27-30—NABAC, 28th Annual Convention, Milwaukee Auditorium, Wis.

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